

ICB MTD Software Guide

A Practical Guide for Bookkeepers

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*your business
supercharged*

MTD FOR IT: THE ESSENTIAL BOOKKEEPER'S HANDBOOK

MTD for IT presents opportunities to attract new clients
and deepen existing relationships.

Find out more



Introduction

From April 2026, millions of sole traders and landlords will be required to send quarterly updates of income and expenses to HMRC via commercial software.

For bookkeepers, this is a defining moment. The work you already do - keeping accurate and timely records - has been formally recognised as the foundation of tax compliance. Regular bookkeeping is now directly tied to statutory obligations, putting you at the centre of compliance and business confidence.

This guide clarifies what MTD IT requires, explains the different categories of software, and helps you match the right tool to each client scenario, from single trades to complex landlord portfolios, and from spreadsheets with bridging software to fully integrated solutions.

Welcome from Ami Copeland, ICB CEO

"Bookkeepers are at the heart of Making Tax Digital for Income Tax. It's an exciting moment for our profession, because it confirms that bookkeeping is not just valuable but essential. For businesses, this shift will be transformative - bringing greater clarity and confidence to decision-making, built on the solid foundation of timely bookkeeping."



MTD is a shift in how we think about bookkeeping, communication, and client relationships



Quick refresh: MTD IT Explained

MTD IT is a new requirement for sole traders and landlords to report their income and expenses to HMRC. In addition to their annual tax return, affected taxpayers will now report to HMRC on a quarterly basis through their software, like MTD for VAT.

Under MTD IT, taxpayers must use one or more pieces of HMRC-recognised software to:

- Create and Store Digital Records of self-employment and property income and expenses.
- Send Quarterly Updates of income and expenses to HMRC. These are not mini-tax returns; they are simple, cumulative reports.
- Submit an annual Self Assessment Tax Return by 31 January the following year combining all income sources.

Thresholds and qualifying income

From April 2026, MTD IT applies to sole traders and landlords with total gross income (before expenses) from self-employment and property above £50,000 per year. Sole traders and landlords earning above £30,000 from these income sources will follow in April 2027. And sole traders and landlords earning above £20,000 follow in April 2028.

The income thresholds apply per taxpayer, not per trade or property. For example, if a person has £25,000 from a sole-trader business and £25,000 from a property business, their combined income is £50,000 and they would be mandated to join MTD IT at the first threshold.

Income from other sources such as partnerships, employment, dividends, pensions and capital gains are not relevant for MTD IT. While these income sources are not part of the quarterly MTD IT updates, they must still be included in the final annual tax return.

Certain individuals are exempt (e.g., those who are digitally excluded for a valid reason or have specific tax arrangements).

ICB Members with a level 2 qualification (MICB) are able to undertake the quarterly filings as part of MTD on behalf of clients. Only ICB members with Level 4 Self Assessment can submit the end of year tax returns to HMRC.



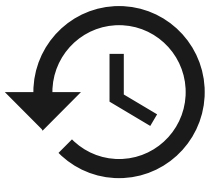


“Given their close client relationships and practical experience, bookkeepers are well placed to lead this change - and even support local accountants who need help navigating the shift”



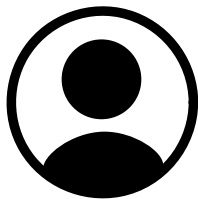
Scale of impact

- 7 million taxpayers with business/property income (2023–24).
- 2.9 million (42%) expected to enter MTD IT by 2028.



Timeline

- April 2026 → £50,000+ income = 864,000 (30%)
- April 2027 → £30,000+ income = 1,077,000 (37%)
- April 2028 → £20,000+ income = 975,000 (33%)



Profile of affected taxpayers

- 118,000 landlords only
- 605,000 self-employed only
- 141,000 with both self-employment & property



Agent and software use

- 65% already have an agent.
- 63% of £50k+ taxpayers filed via software.
- 78% when an agent was involved.

For bookkeepers:

- *The largest cohort to enter is in April 2028*
- *Each income source = its own quarterly submission.*
- *The final SAT return (final declaration) pulls everything together, even non-MTD income.*

MTD explained (continued)

Quarterly Updates

Quarterly updates are not mini tax returns.

- They are cumulative reports of income and expenses.
- No adjustments, capital allowances, or reliefs are applied here.
- They don't trigger tax payments or liabilities.

For bookkeepers, fulfilling the quarterly updates is a natural fit. Preparing, checking, and submitting these updates on time is a core bookkeeping function.

Year-end Tax Returns

- Under MTD IT, taxpayers can no longer use HMRC's online filing service for their final tax return. Instead, the return must be submitted directly through compatible software, with any additional income sources and required adjustments reported at the same time.
- HMRC's new system supports multi-agent access, making it easier to manage the handover between a bookkeeper completing the quarterly updates and the accountant, or Level 4 Self Assessment Tax qualified bookkeeper, who completes the tax return.
- As bookkeeping work is now part of legal tax compliance, this may also be the moment to consider progressing to Level 4 qualifications yourself, smoothing the path from bookkeeping into tax.



Multi-Agent Access and Collaboration

Main and supporting agents are part of HMRC's "multiple agents" system for MTD IT, allowing a taxpayer to use more than one agent to connect with HMRC on their behalf. The roles are defined by the level of access and responsibility.

Main Agent

A main agent has full authority and a comprehensive view of a client's MTD IT account. They can perform nearly all the functions that the taxpayer can, including:

- Viewing all income sources, including business, property, and other personal income (like PAYE employment or investment income).
- Submitting quarterly updates on the client's behalf.
- Finalising the overall tax position and submitting the final tax return.
- Viewing tax calculations and amounts owed or paid.
- Communicating directly with HMRC on the client's behalf regarding their tax affairs.
- A taxpayer can only have one main agent at a time. The main agent is generally responsible for the overall tax compliance and strategy.

Supporting Agent

- A supporting agent has a more limited role and a restricted view of the client's account. Their purpose is to handle specific, defined tasks, typically focused on the client's business or property income, including:
- Submitting quarterly updates: This is their primary function. For example, a bookkeeper might be appointed as a supporting agent to manage the quarterly reporting for a client's sole trader business.
- Viewing only business and property income: They cannot see the client's other sources of income, such as PAYE, pensions, or investments.
- No authority for final tax return

“A taxpayer can have multiple supporting agents for different income sources. For example, a taxpayer might have one supporting agent for their UK property business and another for their freelance business, while the main agent handles the final tax return that combines all their income.”



Agent Authorisation

Authorising an agent for MTD for Income Tax is a new, more digital process than the traditional Self Assessment methods. The key element is the Agent Services Account (ASA).

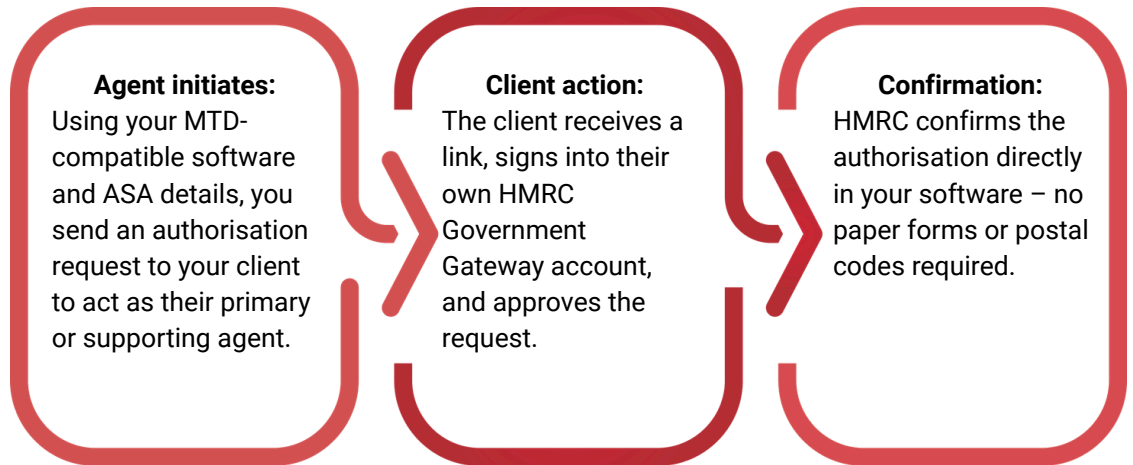


The Agent Services Account (ASA)

You must have an ASA before acting for any MTD client. It's separate from the older HMRC Online Services for Agents account and is the access point for all MTD services, including VAT and IT.

To create an ASA, you'll need your practice's Government Gateway ID, Unique Taxpayer Reference (UTR), and your Practice Licence number to confirm AML supervision.

Requesting Authorisation



Agent initiates:

Using your MTD-compatible software and ASA details, you send an authorisation request to your client to act as their primary or supporting agent.

Client action:

The client receives a link, signs into their own HMRC Government Gateway account, and approves the request.

Confirmation:

HMRC confirms the authorisation directly in your software – no paper forms or postal codes required.



Watch out! You must correctly request authorisation as either the primary or supporting agent, as the client can only approve or decline the role, not change it. If a client approves a new primary agent, the previous primary agent will lose access.

Authorisation of existing clients

If you already submit Self Assessment tax returns for a client, you don't need to start over. HMRC lets you copy existing authorisations from your old Online Services for Agents account into your new Agent Services Account (ASA).

Once copied, you'll automatically become the primary agent for that client under MTD for IT, with full access to their MTD tax details.

IMPORTANT INFO:

- The client must still give active consent through their own Government Gateway account.
- All authorisations are handled through MTD-compatible software, not paper forms.
- Form 64-8 is no longer valid for MTD authorisations.
- Each client can have only one primary agent at a time, though multiple supporting agents are allowed. A new primary authorisation automatically removes the old one.

Making Tax Digital, simple with Sage.

Join the 2 million small businesses and accountants who already trust Sage.

MTD for Income Tax will require UK sole-traders and landlords to keep digital records, submit quarterly updates and file tax returns via HMRC-approved software.

Sage will help you be compliant for HMRC deadlines:

- April 2026: Incomes over £50,000
- April 2027: Incomes over £30,000
- April 2028: Incomes over £20,000

With AI-powered solutions, expert advice and human support, MTD is simpler and better supported with Sage.

Learn more & get started:

Scan here to get ahead of the approaching MTD deadlines and to join the HMRC public beta.



Sage

Types of MTD IT Compatible Software

There are four main categories

End-to-end bookkeeping software

Keeps digital records, files quarterly updates, and (for basic cases) can handle the end-of-year tax return.

Examples you likely already use:
Xero, QuickBooks, Sage, FreeAgent.
Emerging, low-touch options:
Untied (broad filing coverage),
Coconut (simple sole trader focus).

Tax software

Used for full year-end tax returns and complex clients (e.g. Foreign Property income). It doesn't manage digital records or quarterly updates.

Examples: IRIS, BTC, Capium, Bright, etc.

Landlord specialist software

Designed for property portfolios with features like rent tracking, mortgage interest, and ownership splits. Great for landlords but can be pricey per property.

Examples: Hammock, Landlord Vision, Landlord Studio, Arthur.

Bridging software

Connects spreadsheets to HMRC for MTD compliance. Ideal for clients with multiple properties or late onboarding.

Examples: 123 Sheets, Absolute Excel Filer, TaxCalc's MTD module, etc.



MTD IT Software Comparison

Software	Bookkeeping	Quarterly Updates	SA Tax Return	Income Sources	Pricing from
123 Sheets	✓ (spreadsheet templates)	✓	✓	Sole trader, UK property, Foreign property	£19.50/yr
Absolute Excel Filer	✗	✓	✓	Sole trader, UK property	£40/yr
Bright	✓	✓	✓	Sole trader, UK property, Foreign property	Contact for pricing
Capium	✓	✓	✓	Sole trader, UK property, Foreign property	£135/mo for 100 clients
Clear Books	✓	✓	✓	Sole trader, UK property	Free / £15/mo
Coconut	✓	✓	✓	Sole trader, UK property, Foreign property	£9.95/mo or £99/yr
Dext Solo	✓	✓	✓	Sole trader, UK property	£2.50/mo
FreeAgent	✓	✓	✓	Sole trader, UK property	Free (NatWest/Mettle) / £10+/mo
Hammock	✓ (property only)	✓	✓	UK property, Foreign Property	£8/mo <3 properties, £25/mo <20 properties
IRIS Accountancy Suite	✗	✓	✓	Sole trader, UK property, Foreign property	Contact for pricing
IRIS Elements	✗	✓	✓	Sole trader, UK property, Foreign property	£10/mo

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MTD IT Software Comparison

Software	Bookkeeping	Quarterly Updates	SA Tax Return	Income Sources	Pricing from
IRIS Elements Cashbook	✓	✓	✓	Sole trader	Free if you already use IRIS
IRIS Kashflow	✓	✓	✓	Sole trader	£12.50/mo
MYT	✓	✓	✓	Sole trader, UK property, Foreign property	£10/mo
Nomi	✓	✓	✓	Sole trader, UK property	£8/mo
QuickBooks Online	✓	✓	✓	Sole trader, UK property	£16/mo
Sage Accounting	✓	✓	✓	Sole trader	£18/mo
Sage Individual	✓	✓	✓	Sole trader	Free for clients below VAT threshold / £7/mo
TaxCalc	✗	✓	✓	Sole trader, UK property, Foreign property	£172/yr for 12 clients
Untied	✓	✓	✓	Sole trader, UK property	£129.99/yr
Xero	✓	✓	✓	Sole trader, UK property, Foreign property	£16/mo
Zoho Books	✓	✓	✗	Sole trader	Free / £12/mo

Notes on the comparison table

- This table is not a full list of software recognised by HMRC for MTD IT. HMRC's website provides the latest complete list, and new options are added regularly.
- Prices shown are usually exclusive of VAT and can vary by features, user limits, and plan type. Always confirm current pricing and suitability directly with the vendor.
- Some providers offer temporary sales or discounts, especially for new customers or bookkeeping professionals.
- All information is correct at the time of publication but should be independently verified before purchase, as details and pricing may change.

Clients with multiple income streams

For MTD IT, each separate trade or income stream must have its own set of quarterly updates. This means a single taxpayer with multiple income sources will need to make multiple submissions each quarter.

Example

A plumber who also rents out UK properties and a foreign property has three separate income streams.

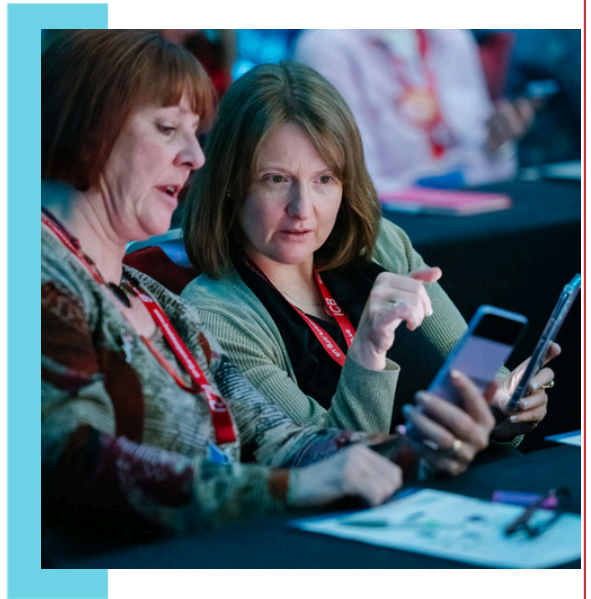
Submission requirement

This individual must make four quarterly updates for the plumbing business, four for the UK property business, and four for the foreign property business. That's a total of 12 submissions per year, plus one final tax return that consolidates everything.

Reminder to look at licence requirements

Xero, Sage, QuickBooks, and others such as Coconut, Untied and bridging software, enable you to handle multiple trades within one licence. You can use different categorisations such as 'tracking categories' (Xero), 'classes' (QuickBooks), or 'cost centres' (Sage) to distinguish between different businesses.

When it's time for a quarterly update, you'll select which income source you're submitting for.



FreeAgent's architecture is different. FreeAgent users will need separate accounts for separate trades. This is a point of differentiation from many of its competitors, and for users with multiple income streams, it may prove significant.

FreeAgent's model avoids the problem of multiple trades or personal transactions getting mixed up. By partnering with FreeAgent, banks like NatWest and RBS can incentivise small businesses to open multiple business accounts, which is beneficial for both compliance and solidifying the banks' relationship with the customer.

Landlords: General vs Specialist Software?

This is a key area where bookkeepers can add real value. Landlord-specific software is designed around the practical needs of managing property income, offering tools that go beyond standard accounting platforms.

Choose landlord specific software for:

- Tenant management: Track rent, arrears, and late fees in one place.
- Per-property tracking: Categorise and report expenses for each property.
- Automation: Send rent reminders and manage recurring payments automatically.
- Foreign property support: Handle income from overseas properties in line with MTD IT rules.

ICB advice

The key trade-off is cost vs. functionality. General accounting software and bridging software are usually a single subscription, while landlord-specific software is often priced per property or size of property portfolio.

For bookkeepers, a hybrid approach might be best: using landlord-specific software for a larger property business, and using spreadsheets and bridging software for simpler clients.



Jointly owned properties

- **Who's in scope:** Each co-owner must register for MTD IT if their total qualifying income (including their share of property income) is above the threshold.
- **Easement:** For each jointly owned property, one co-owner can be nominated to keep the digital records for all income and expenses.
- **Data sharing:** That co-owner provides the figures to the others, who then file their own quarterly updates based on their share.
- **Unequal shares:** This works for both equal and unequal ownership, as long as ownership percentages are clear.

MTD delivery

Approvals and Audit Trail for Quarterly Updates

Clients should always approve their quarterly updates before you file them. It protects you both and keeps a clear record of consent.

Xero HQ and QuickBooks Online Accountant make this easy with one-click client approvals. Sage Practice Management, Engager, and Capium also let you build approvals into your workflow so nothing is marked complete until the client signs off.



Build approval into your standard process for every client, every quarter.

Tracking thresholds

As with VAT, you're best placed to spot when clients approach the MTD IT threshold. Ask about all income streams, including property, to get the full picture and plan ahead.

Sage Practice Management includes threshold alerts, while Xero HQ and Capium let you track income across clients. If you don't use practice management software, run P&L reports and record totals in a simple spreadsheet.



Monitor regularly so clients can switch to MTD IT in good time.

Pricing

MTD IT creates new, predictable tasks — and with them, new pricing considerations.

- Quarterly updates: Treat each submission as a defined service line in addition to the bookkeeping that underpins it. Price per update, or combine it into your monthly or quarterly fee.
- End-of-year tax return: If you hold ICB Level 4 SAT, consider offering this as part of a package, or as a separate premium service.
- Hybrid clients (e.g. spreadsheets + bridging + tax product): Charge for the additional complexity, especially if you're consolidating data.
- Landlord clients: Per-property pricing in software means your own fees may need to reflect the scale of the portfolio.



Position MTD IT as compliance with added value - you're not just filing; you're keeping clients out of trouble and giving them clarity all year long.



MTD in practice

With over 30 HMRC-approved products on the market, you'd be forgiven for sticking with what you know:

- **Quarterlies:** Xero, QuickBooks, Sage, FreeAgent - established, reliable, and client-friendly.
- End-of-year returns:
 - Basic self-employment/property → often doable in the “big four” directly.
 - Complex schedules (foreign income, CGT, residence) → might be best handled in tax suites (IRIS, BTC, Capium).
- **Landlords:** Consider a client-personalised approach blending spreadsheets + bridging, your existing software, or a landlord-specific suite like Hammock with all the bells and whistles. If your clients have foreign property, that reduces your choices down to Xero and a few others.
- **Spreadsheets:** We all have them – clients who want/need to stick to their spreadsheets. For now, HMRC looks set to recognise spreadsheets + bridging software indefinitely, so it's up to you to choose if you want to support clients using 123 Sheets, Absolute Excel, or similar bridging, with a tax product for year-end



Most bookkeepers might add a couple of new tools to their existing stack, not reinvent their entire software lineup.

Action points



Review your client list and map who will enter MTD IT in 2026, 2027, and 2028.



Research the software you already use against these requirements, and identify where bridging tools, landlord software, or practice management tools may be needed.



Set your pricing and workflow for quarterly updates early so that clients understand this is a new, defined service.

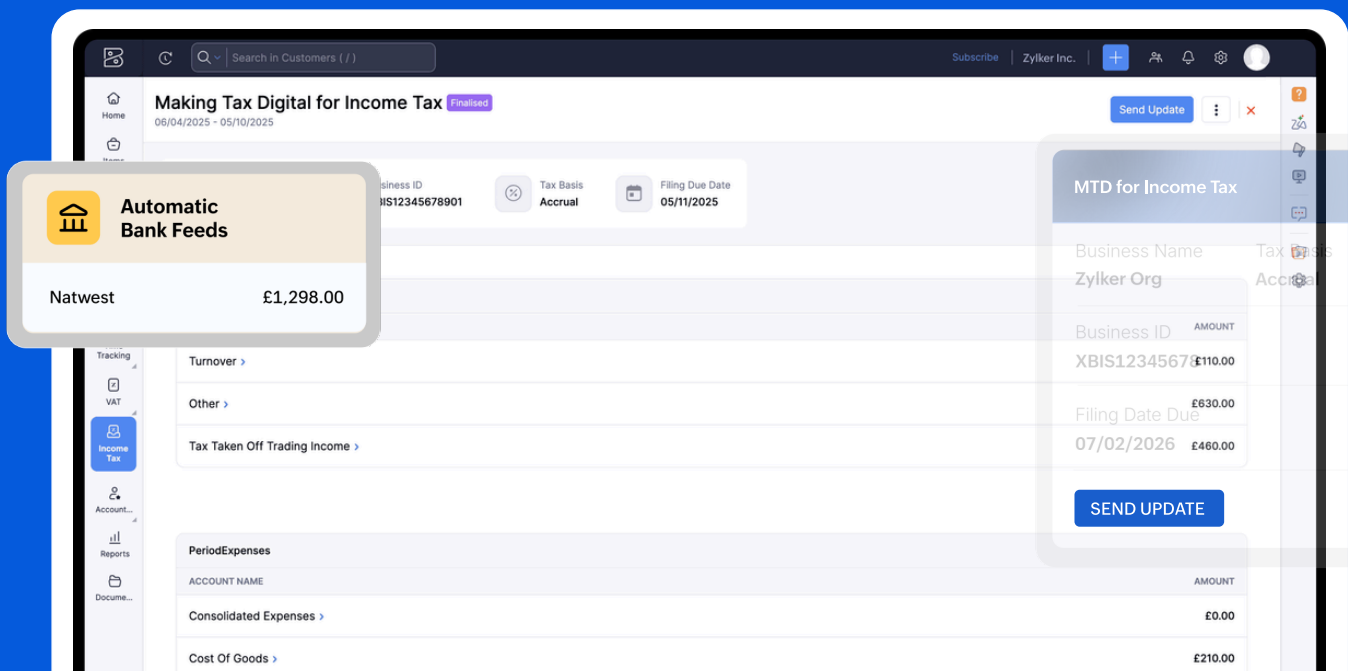


Consider your own development: with multi-agent access, you can collaborate with tax-qualified ICB members, or become one yourself.



Completely **FREE** sole trader accounting software

Stay MTD compliant with Zoho Books



- ✔ Digitally manage your finances
- ✔ Send quarterly updates to HMRC



Built for client needs, Zoho Books has tried to make its system fit the business rather than vice versa. I don't think I've ever seen a system with quite so many modules included, and with six pricing plans, you're going to find an option for most clients.



Lara Manton
LJM Bookkeeping Ltd



Start your **MTD** journey today.

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ICB



The Institute of
Certified Bookkeepers

About ICB

ICB is the only UK professional body that is dedicated to bookkeepers and the bookkeeping community. Our mission is to empower bookkeepers and provide a trusted benchmark for the profession.

Our vision is that behind every good business there will be a good bookkeeper and behind every good bookkeeper, there will be ICB. Our membership comprises over 15,000 active members, students and apprentices as well as more than 3500 practices. ICB members are renowned for their high professional standards, social influence and supportive network. They're passionate, outspoken and have a voracious appetite for new tech.

**BOOKKEEPERS:
[THE KEY
TO MTD]**