

# Making Tax Digital: What It Really Means for Your Business

A Practical Guide by Xolve

# Welcome to the New Era of Tax Compliance

Making Tax Digital (MTD) is more than a new way to submit your returns. It is a complete shift in how businesses are expected to record, manage, and report their finances.

Handled properly, MTD is an opportunity — a chance to streamline your financial systems, improve visibility, and stay compliant with minimal stress.

At Xolve, we specialise in helping small businesses embrace this change with confidence, making sure compliance is built into your systems, not just your deadlines.

This guide will show you what MTD really requires, where the common traps are, and how Xolve can help you stay fully prepared.

# Welcome to the New Era of Tax Compliance

Making Tax Digital is HMRC's programme to modernise the tax system by requiring businesses and individuals to keep digital records and submit returns through approved software.

## Key Milestones:

- VAT: MTD is mandatory for all VAT-registered businesses, regardless of turnover, from April 2022.
- Income Tax Self Assessment (ITSA): MTD will apply from April 2026 for self-employed individuals and landlords with income over £50,000. It will extend to those with income over £30,000 from April 2027.
- Corporation Tax: A pilot is currently running, with mandatory rollout expected no earlier than 2026.

**Why this matters:** Being almost compliant is not enough. MTD penalties apply for incorrect records, missing audit trails, and non-digital submissions – not just for missing deadlines.

# What MTD Means for Your Business

MTD is not just a new filing method — it affects your entire approach to bookkeeping and tax management.

## Real-Time Record Keeping

You must record your sales, expenses, and financial transactions digitally at the point of entry – not later.

## Quarterly Reporting Obligations

For MTD ITSA, businesses will need to submit quarterly updates to HMRC, not just an annual tax return.

## Approved Software Only

All submissions must go through HMRC-recognised software that connects directly via APIs. Manual re-entry of figures onto the HMRC portal is no longer allowed.

Xolve makes sure your records, systems, and submission processes are genuinely MTD-compliant — not just superficially digital.

# Common Pitfalls to Avoid

Even businesses using digital systems are falling into compliance traps. The most common pitfalls include:

- Using spreadsheets without maintaining uninterrupted digital links to filing software.
- Manually copying, pasting, or re-entering data between different systems.
- Filing VAT returns manually through HMRC's portal (no longer permitted under MTD rules).
- Delaying updates until year-end instead of maintaining real-time records.
- Failing to store digital copies of all invoices and receipts linked to transactions.

Xolve identifies and corrects the hidden weaknesses that HMRC looks for – protecting your business from penalties and audits.

# How to Get MTD Ready: Practical Steps

Getting compliant is not just about installing software. It requires getting your full financial process in order.

**1. Confirm Which MTD Rules Apply to You:** Check if you are currently affected by MTD for VAT, ITSA, or future Corporation Tax changes.

**2. Implement Approved Accounting Software:** Choose an HMRC-recognised platform and ensure it is fully set up for digital record keeping and submission.

**3. Digitise Record-Keeping:** Capture all transactions digitally at the point of entry. Retain all supporting documents digitally for the required retention periods.

**4. Test Your Systems Early:** Run trial submissions where possible and confirm your system can file correctly and on time.

**5. Train Your Staff:** Ensure everyone involved in your financial processes understands the new digital requirements.

**6. Book an MTD Readiness Check:** If you are unsure or want peace of mind, book a free review with Xolve to identify any gaps.

# How Xolve Can Help

- At Xolve, we go beyond just helping businesses comply with Making Tax Digital.
- We provide a full range of accounting, bookkeeping, payroll, and financial support services — built to simplify your finances, strengthen your business foundations, and help you grow with confidence.

## Our Services Include:

- Bookkeeping and Digital Record-Keeping
- Payroll Management and Auto-Enrolment Support
- VAT Returns and Compliance Submissions
- Year-End Accounts and Tax Return Preparation
- Making Tax Digital Compliance and Monitoring
- Financial System Setup and Training
- Cash Flow Management and Financial Reporting

We aren't just bookkeepers or accountants — we're your partners in building a financially stronger, more resilient business.

# Take the Stress Out of MTD

Book your free 15-minute  
MTD Readiness Check with  
Xolve and get properly  
future-proofed.

