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TAX JUST GOT COMPLICATED. HERE’S HOW TO MAKE IT SIMPLE

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FOREWORD

SEEING DOUBLE: TWO TAX REGIMES, TWO-TIMES THE WORK?

As if following one tax regime wasn't enough work, many accountants and bookkeepers will find themselves straddling two sets of rules in 2026. This is because MTD for Income Tax (MTD for IT) starts for those earning more than £50,000 from April. Meanwhile, classic Self Assessment Tax returns will be in progress for 2024/25 tax year, and due in January 2027.

So, your practice will be switching between the old Self Assessment system and MTD for IT, familiar processes and new ones that are required with the move to a more digital tax system.

Being prepared for the new year has never been more important. Balancing different obligations and processes will require careful planning. But there are things you can do to ease the pressure. Using software like Xero Tax can help you minimise admin and simplify compliance across multiple taxes.

In this guide, we take a look at how you can get ready for managing two tax regimes, what to do if your client starts MTD in the 2026/27 tax year, and how you can reduce your workload with software.

HOW TO PREPARE FOR TWO TAX REGIMES AT ONCE

Chances are, you won't be able to double your practice capacity overnight. So, you need a plan for dealing with the two different tax regimes: Self Assessment and MTD for IT.

Your clients will likely be split across Self Assessment and MTD for IT, depending on their income:

- Those earning above £50,0000 will have a Self Assessment underway during 2026 (for the 2025/26 tax year), and also need to transition to MTD for IT rules for April 2026
- Clients earning above £30,000 will be continuing with Self Assessment during 2026, but need to be MTD ready for April 2027
- Those earning above £20,000 will be continuing with Self Assessment during 2026 and 2027, but need to be MTD ready for April 2028
- Clients earning less than £20,000 will be continuing with Self Assessment for the foreseeable

Your first task is to figure out which clients need support with both MTD and Self Assessment, and when. Then, you'll need to educate clients on the new legislation, and what this transitional period means for them. For clients starting MTD for IT in April 2026, the first quarterly update is due 7 August 2026. Be sure they know what's expected from them in terms of providing evidence and supporting the preparation of quarterly updates and an annual return.

While quarterly updates for the 2026/27 tax year are underway for these clients, you'll also need to prepare Self Assessment Tax Returns for the 2025/26 tax year, due January 2027. This means you'll effectively be completing compliance tasks for two tax years at once.

January could be an even more intense month in 2027, because you'll have the deadline for Self Assessment returns to contend with, alongside the third quarterly update for MTD due only a few days later (7 February).

It's worth considering how you'll manage and allocate resources around this time. More staff, outsourcing, and automation could all prove useful as Self Assessment and MTD obligations clash. Don't leave it to the last minute – plan for an increased workload now.

It's also time to think about how you get receipts, invoices, bills, and other documents from clients. Both regimes rely on accurate records for submissions. Having a reliable recordkeeping system that's easy to navigate and keeps data secure is essential for 2026, and beyond. This will make it easy to retrieve records and compile accurate submissions, whether they're for MTD or a single annual return.

Shifting clients' thinking from once-a-year receipts drop-offs to regular data uploads will allow you to meet compliance obligations, but also help to spread the work across the year. Tools like Hubdoc make this easier. Hubdoc is a data capture app your clients can use to snap photos of receipts and invoices on the go, and upload them directly to accounting software like Xero.

SUPPORTING CLIENTS WHO START MTD FOR IT IN THE 2026/27 TAX YEAR

Clients who need to follow MTD rules from April 2026 must have compatible software in place ahead of this deadline. Alongside software, they need to be well-versed in MTD for IT rules, and confident with digital recordkeeping.

Focus on bringing these clients up to speed with their MTD obligations now. As the earliest cohort for MTD for IT, they need your help the soonest. Once MTD for IT is underway, the overlap between new rules and old Self Assessment rules could become confusing. For instance, you may need to request documents and evidence for both the 2025/26 tax year to complete a Self Assessment return, and for the 2026/27 tax year, to complete quarterly updates.

Give clients a timeline of deadlines for the 2026 tax year so they know what's expected of them and when.
Something like this:

April 2026
MTD for IT begins, and software-based recordkeeping and filing are mandatory

7 August 2026
The first MTD quarterly update is due for the 2026/27 tax year

7 November 2026
The second MTD quarterly update is due for the 2026/27 tax year

31 January 2027
Self Assessment tax returns are due for the 2025/26 tax year

7 February 2027
The third MTD quarterly update is due for the 2026/27 tax year

7 May 2027
The fourth and final MTD quarterly update is due for the 2026/27 tax year, after which a Final Declaration is to be submitted

Switching back and forth between one piece of software for Self Assessment and another for MTD for IT could quickly become confusing, and lead to mistakes or inaccuracies. From a practice and client perspective, having compatible software that can handle both MTD for IT and Self Assessment returns will save you being spread across multiple tools.

SUBMITTING SELF ASSESSMENT AND MTD FOR IT RETURNS WITH XERO TAX

Instead of adding even more compliance tools to your stack, using a single piece of compatible software that covers MTD and non-MTD returns ensures your team and clients aren't spread too thinly.

It also makes it easier to centralise and retrieve records, track submissions, and monitor compliance jobs so that you and your clients keep on top of tax obligations.

Xero Tax is our accounts and tax preparation software. You can prepare tax returns, connect to bookkeeping data in Xero for easier compliance prep, and submit returns and sets of accounts.

Xero Tax is fully set up for Self Assessment and MTD for IT submissions. You can use the Personal Tax feature to create a Self Assessment tax return and file directly with HMRC. If clients' bookkeeping data is already in Xero, it will flow through to draft returns allowing you to download and view the tax return at any point, making it easy to review and submit the tax return to HMRC.

"Xero's personal tax is the easiest tax software I have used in my 15 year career. It has already saved us time, and has made it easier when training new members of staff."
- The Focus Collection Ltd.

The same applies to MTD for IT quarterly submissions. Bookkeeping records flow through to the drafts, ready for you and your team to review and submit. Plus, with Xero Tax, you can set specific roles such as 'preparer' and 'reviewer' to make delegating compliance work easier. This gives you control over quality, and the capacity to assign simpler returns to junior staff, knowing they'll be reviewed before submission.

Xero is an HMRC recognised software provider for MTD, with quarterly updates and Final Declarations built into Xero, so you can keep clients compliant without extra tools. Transactions are automatically mapped to the right tax categories, minimising errors and speeding up submissions.

One of the most useful Xero Tax features for this transitional period is Tax Manager, which shows you all of your clients' obligations – MTD or standard Self Assessment returns included – so you can plan for deadlines and prioritise resourcing. It's easy to view the status of submissions, spot when they're overdue, and even link back to jobs created in Xero Practice Manager – our product for helping you run a healthy practice.

HOW XERO TAX CAN HELP FUTURE PROOF YOUR PRACTICE

Whether all of your clients are joining MTD for Income Tax in 2026, or you're split between Self Assessments and MTD returns, Xero Tax gives you everything you need for compliance.

But MTD for IT is just one part of the puzzle. Xero Tax streamlines compliance by making it much faster to prepare and file accurate accounts and tax. You can produce corporate, partnership and personal tax returns, meaning more submissions can be handled in a single piece of software. This helps keep your systems and processes lean – there's no need for costly, disconnected tools for different clients.

It also means your team can focus on becoming proficient on fewer pieces of software, and enables you to share the workload across your practice. Data flows from Xero bookkeeping into draft returns in Xero Tax, so as long as client reconciliations are up to date, you no longer need to do the manual admin task of copying figures from one tool to another. Simply review the draft, make any tweaks, and submit to HMRC.

By moving to Xero Tax now, you can avoid potential upheaval in 2027 and 2028 as the next phases of MTD for IT come into place. You'll already have the features and tools at your disposal for compliance. Xero supports a whole range of recent legislative changes and regulations, including basis period reform and Companies House reform. Automatic updates mean the software is always ready to support you with new compliance rules.

Your practice can also become more streamlined and efficient with Xero Tax, since you won't need to maintain separate client processes for MTD and non-MTD returns. For example, you can roll out data capture tools like Hubdoc to the whole client base, so they can share receipts with you by taking a quick picture on their smartphone. Or connect client bank feeds so that transactions roll into Xero automatically, ready for reconciliation.

Xero accounting software lets you automate a range of bookkeeping, accounting, and tax tasks so your team can spend less time on admin and more time working with clients. As you face a year where two tax regimes are running simultaneously, automating bank reconciliation and recordkeeping processes means you won't face twice as much work.

The earlier you start with software, the more time your clients have to prepare. Start putting MTD for IT systems and processes in place now, if you want clients and your team to be proficient and confident ahead of April 2026.

TIPS FOR A STREAMLINED TAX PROCESS IN 2026

Educating clients on MTD, simultaneously managing Self Assessments and quarterly updates, and getting up to speed with compatible software is enough to make your head spin.

Here are some tips to help you balance the workload, maintain compliance, and keep clients happy:

- **Set up single processes:** Switching between tools can be time-consuming, and it's easy to lose track of documents and data when they're spread across software. Choose one process for getting documents in, such as a data capture app, and roll it out across the practice
- **Use practice management software:** Having a central space for practice management keeps everyone accountable, and makes it easier to track deadlines, assign work, and share compliance tasks fairly with your team
- **Minimise admin with automation:** Use Xero connected bank feeds to get client transaction data in automatically, and the reconciliation predictions feature to speed up transaction matching and coding
- **Make the process collaborative:** Opt for connected apps that make it easy for clients to share information and records, and use the customisable permissions and roles in Xero Tax to enable staff and clients to contribute to compliance processes
- **Meet more obligations with a single subscription:** Alongside the changes to Self Assessment, you'll also be continuing with MTD for VAT. You can make things easier by using Xero Tax software, which works for both MTD for VAT and MTD for IT, plus partnership and corporate taxes
- **Use MTD to bolster advisory:** Review quarterly data for MTD for IT clients, and use this to provide real-time tax planning and cash flow advice
- **Reset your pricing:** The new year is a good time to check-in with clients, reset the relationship, and get your MTD services pricing in place

MAKE TAX SIMPLER WITH XERO

Two overlapping tax regimes shouldn't mean double the work for your practice.

With the right software in place that has flexible features for every client type, you can simplify and standardise compliance for everyone. Do away with costly, disconnected tools, and serve your clients on a single piece of software. Xero is HMRC-recognised and trusted by millions, and Xero Tax is free when you're on the partner programme.

Alongside support for MTD and non-MTD returns, you get features such as:

- Automatic updates that keep your software aligned with new legislation
- Scalable processes that work just as effectively with 10 clients or 1000
- Automated data imports, bank reconciliation predictions, and business tools like online invoicing
- Direct connection to HMRC and Companies House for submissions
- Customisable permissions and roles for your team and clients
- Secure, centralised record storage
- Customisable reports and projections you can use for advisory services

Xero is more than a short-term compliance solution – it can simplify not just the tax season, but day-to-day practice life, shrinking admin, upholding accuracy, and giving you and your clients better financial insights.

If you're not yet a Xero partner, join over 250,000 accountants and bookkeepers using Xero in their practice.

JOIN THE PARTNER PROGRAMME

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