

ABSOLUTE TAX FILERS



MAKING TAX DIGITAL & BRIDGING SOFTWARE

Setting the record straight



Updated with HMRC's MTD for Income Tax changes announced in March 2025

BACKGROUND TO MAKING TAX DIGITAL (MTD)

MTD was introduced in April 2019 as part of HMRC's strategy for digitising the UK tax system. The aim is to ensure that all relevant taxpayers are paying the right amount of tax and in an efficient and effective manner. In doing so HMRC aim to reduce the tax gap between what is owed to the Treasury and what is actually paid.

Initially the scheme related to VAT registered businesses with an annual turnover above the VAT threshold (at the time £85,000). However phase two of the strategy, which came into force in April 2022, brought VAT registered businesses with a turnover below the threshold into MTD.

HMRC are extending the scheme to include Income Tax from April 2026 and Partnerships and Corporation Tax will join on dates yet to be confirmed.

MTD for:

- VAT
- Income Tax
- Corporation Tax

COMPLYING WITH MTD

In order to comply with the MTD regulations taxpayers must use one of the following:

- a cloud based accounts package;
- Excel spreadsheets with bridging software that digitally links the data to HMRC;
- a desktop based accounts package with bridging software.

Your MTD software must link directly from your PC or device to the relevant HMRC MTD platform. So with the VAT return submission process you can no longer:

- file paper VAT returns;
- copy and paste your VAT data into your online VAT return;
- manually enter your VAT data into your online VAT return.

The same will apply to income tax and corporation tax returns in the future.

GETTING READY FOR MTD FOR INCOME TAX

HMRC has announced that from April 2026 the next phase of MTD will come into effect. It will apply to the following individuals whose annual gross income is £50,000 or above:

- sole traders and the self-employed who are running unincorporated businesses; and
- property landlords.

From 6 April 2026, it will be mandatory for these individuals to:

- keep digital records of their income and expenditure;
- submit digital quarterly updates to HMRC using MTD compatible software; and
- submit a statement confirming all other sources of income have been filed.

Furthermore, individual taxpayers who have a gross income between £30,000 and £50,000 will be required to join the scheme from April 2027.

HMRC have confirmed that those with an annual gross income above £20,000 will have to comply from April 2028.

Many individuals who will be caught under the new MTD for Income Tax (MTD for IT) regulations won't currently be using any form of accounting software.

The change for them will be significant.

Getting them to log their financial transactions into Excel and use bridging software to submit their data will be the simplest way for them to comply.

Download our free guide to MTD for Income Tax here:

www.absoluteexcelvatfiler.co.uk/Absolute-Accounting-Software-New-Approach-MTD-for-ITSA-Guide.pdf

WHAT IS BRIDGING SOFTWARE?

MTD bridging software enables businesses, or their agents, to digitally file their MTD returns from Excel directly into HMRC's MTD platform.

In order to be MTD compatible your bridging software must have been developed using HMRC's Application Programming Interfaces (APIs) which allow the exchange of financial data through the digital link.

WHY USE BRIDGING SOFTWARE?

There are lots of reasons to use bridging software rather than an accounts package to file your MTD returns. For example:

- bridging software tends to be a lot **cheaper**;
- the set up process is **quicker**;
- the ongoing use of the software is **simpler**;
- understanding how the software works **won't waste your time**;
- it makes the transition to MTD **seamless**.

Absolute's Excel bridging software is MTD compatible and HMRC recognised



ABSOLUTE'S RESPONSE TO MTD FOR INCOME TAX

Due to the popularity of our MTD Excel VAT Filer bridging software we have launched, and are in the process of beta testing, a new Income Tax bridging software product, called the Absolute Excel Income Tax Filer.

We have been working closely with HMRC's MTD team to ensure the new software complies with all the requirements of MTD whilst being flexible enough to cope with the nuances of income tax returns.

Furthermore, as has been proved by the success of our Excel VAT Filer product, the new Excel Income Tax Filer will be simple to set up and use and be good value for users.

For more information about the Excel Income Tax Filer, please visit the website www.absoluteexcelincometaxfiler.co.uk.

WHAT CHANGES DO YOU NEED TO MAKE TO YOUR ACCOUNTS REPORTING PROCESS IF YOU USE BRIDGING SOFTWARE?

None if you use Absolute's Excel Tax Filer bridging software!

If you currently use Excel spreadsheets to log your financial information (invoices and receipts) you do not need to make any changes to how you log and store this data.

Bridging software lets you digitally link specific cells in your spreadsheet or the whole spreadsheet direct to HMRC. In doing so you will save time and money by continuing to use a system that you are already familiar with, and which will enable you to comply with the MTD regulations.

THE FUTURE OF BRIDGING SOFTWARE – LET’S SET THE RECORD STRAIGHT!

Much has been said, usually by our competitors(!) about bridging software not being a viable long term option.

! THIS IS UNTRUE !

HMRC have categorically stated that the use of Excel spreadsheets with MTD compatible bridging software will continue to be an effective, ongoing option for taxpayers.

Spreadsheets are already used by thousands of VAT registered businesses to log and store their financial information. The introduction of MTD for IT will see huge numbers of income taxpayers having to digitise their record keeping. Many will not be using (or need to use) accounting software packages. HMRC recognise this and so fully support the continued use of bridging software to provide a simple, low cost option for taxpayers to file their tax returns.

WHY ARE ACCOUNTING SOFTWARE COMPANIES DENOUNCING THE USE OF BRIDGING SOFTWARE?

Answer: They want you to buy their end to end accounting software packages instead!

They see Absolute’s MTD Excel VAT Filer and our new Excel Income Tax Filer bridging software packages (and others) as threats.

Their marketing efforts focus on the different functions of their software and how it can help you to run your business. They want you to sign up to their packages and cross-sell additional plug-ins to you over time.

In most cases you will be paying for software which you don’t need or will never use. Plus you will have the arduous time-wasting task of having to learn a new system for recording your financial transactions – when using Excel is easy and it’s what you know and understand already.

You’ll also find that bridging software is far cheaper to buy than online accounting packages. Hence why the larger software companies are spreading misinformation about the validity, effectiveness and long term benefits of using such packages.

If you have any questions or would like clarification on the long term use of bridging software, please get in touch on 0330 0579651 or email sales@absolutetax.co.uk.



HMRC have confirmed bridging software is a long term viable option to comply with MTD

WHEN TO USE ACCOUNTING SOFTWARE RATHER THAN BRIDGING SOFTWARE?

Different businesses have different requirements for their record keeping. Bridging software is perfect for business owners and landlords who use Excel spreadsheets to log their financial transactions and is by far the simplest and most cost effective way to comply with MTD.

However if your requirements are more complex you may want to use accounting software (which is also MTD compatible) to:

- produce monthly management accounts;
- link with other software such as payroll and tax planning packages;
- build an integral CRM system which can be used to monitor and implement client communications and sales leads.

Nearly 1:20
MTD VAT returns have been
filed using Absolute's Excel
VAT Filer

(Figures based on recent
feedback from HMRC)

MTD FOR VAT – IT'S NOT TOO LATE TO CHANGE YOUR SOFTWARE!

You may have already purchased an MTD VAT product, whether an accounts package or bridging software. However, if you are not happy with how it works or you feel you have been mis-sold a product which does not deliver value for money, it's never too late to change to a simpler, more cost effective solution.

Simply contact us for a no obligation chat. We're here to help you make the right MTD decisions for your business.

WHY USE ABSOLUTE'S EXCEL VAT FILER BRIDGING SOFTWARE?

✓ Cheaper
✓ Quicker
✓ Simpler
✓ Efficient
✓ Seamless

The points mentioned above all apply to our Excel VAT Filer, plus our software also lets users:

- digitally link spreadsheets direct to HMRC's MTD platform;
- check current and previously filed VAT returns;
- fix rejected VAT returns with its Knowledge Base function;
- print VAT submissions;
- access free and unlimited email support.

Current users of the Excel bridging software include accountants and bookkeepers as well as end-user businesses from sole traders to multi-national companies.

Based on the most recent HMRC figures and our own data, almost 1 in 20 VAT returns have been made using the Absolute Excel VAT Filer.

AND THE COST?

The Absolute Excel VAT Filer bridging software costs just **£40 + VAT.**

This is for a 12 month licence that can be used for up to 10 different businesses and as previously mentioned gives you unlimited free email support.

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GET IN TOUCH

We trust that our MTD Bridging Software factsheet has set the record straight and allayed any fears you may have about the long-term use of bridging software.



If you would like more details about our Excel VAT Filer or Income Tax Filer bridging software products, you can:

Watch video demonstrations and find out more at
www.absoluteexcelvatfiler.co.uk

Call: 0330 0579651

Email: sales@absolutetax.co.uk.

*The information in this document is correct as of March 2025,
but could be subject to change if HMRC issues further updates.*