



1 in 2 small businesses unprepared for new digital tax deadline

- 55% not prepared for new digital tax deadline on 7 August.
- 40% stated new process made them more organised, 28% said it reduced last-minute tax stress.
- 93% want to manage tax admin through their banking app or online banking.

With just weeks remaining until the first Making Tax Digital (MTD) for Income Tax submission deadline, new research¹ from Lloyds suggests more than half of small businesses (55%) still have work to do before they are ready to comply with the new rules.

Based on HMRC estimates of the number of sole traders and landlords in scope, that could mean around 475,000² small businesses are yet to complete preparations for the first phase of MTD. The findings come as sole traders and landlords move to HMRC's MTD for Income Tax requirements, which asks eligible taxpayers to maintain digital records and submit quarterly updates using compatible software.

Ramki Sankaranarayan, Head of Business Banking at Lloyds, said: "Making Tax Digital represents one of the biggest administrative changes many sole traders will have experienced for years. Our research suggests that while businesses recognise the benefits of digital record keeping, many are still working through what they need to do before the first submission deadline."

"With small business owners already balancing multiple demands on their time, simplicity matters. That's why we've built HMRC-recognised Making Tax Digital for income tax functionality directly into eligible Lloyds Business Accounts at no extra cost, helping customers manage tax administration alongside their everyday banking."

Among those already preparing for the first submission on 7 August 40% said the move to digital tax management had helped them become more organised, while 28% said it had reduced last-minute tax stress.

Nearly all respondents (93%) said it would be useful to manage tax records, deadlines and administration through their banking app or online banking, highlighting demand for simpler ways to comply with the new rules.

Lloyds recently integrated new Making Tax Digital software into its business account. The HMRC-recognised free tool helps sole traders keep digital records, categorise income and expenses, save receipts and prepare quarterly updates.³

The new rules apply to sole traders with annual revenue of £50,000 pa and above, reducing in the next two

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years to £30,000 and then £20,000.

Ends

Notes to editors

1. Research was conducted by Censuswide among 1,000 UK sole traders with an income of at least £50,000 between 29 June and 6 July 2026. Landlords did not form part of the survey sample.
2. The population estimate is sourced from [HMRC's Making Tax Digital for Income Tax business population statistics](#).
3. HMRC-recognised accounting software for Making Tax Digital for Income Tax is built into Lloyds Business Accounts and available in online banking. There is no additional fee for the software and no subscription. Monthly fees apply for the Business Account [Making Tax Digital for Income Tax Software | Lloyds Bank Business](#)

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- We help businesses across the regions and nations of the UK, and across all different sectors and sizes, giving them the funding and support they need to grow both at home and abroad.

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