Dear [MP Name],

Stop the 'Software Tax: Support small businesses & restoring trust in the tax system

I am writing to you as a concerned constituent regarding the upcoming changes to tax reporting under Making Tax Digital for Income Tax (MTD for ITSA), beginning April 2026.

I fully support the government's aim to modernise the tax system and help close the estimated £47 billion Tax Gap, but I believe the current MTD implementation unfairly burdens the smallest businesses by forcing them to pay for compliance software.

From April 2026, the current system of filing a free, annual tax return via GOV.UK will be removed for those earning over £50,000, this limit being reduced to £20,00 by April 2028. Instead, we will be legally mandated to keep digital records and submit updates quarterly.

The core issue is simple: HMRC is removing the free, state-provided tax portal (Self-Assessment) and replacing it with a mandate to use commercial software.

The Unfairness of Compliance Costs

HMRC claims 'free' software is available, but this is a deeply misleading argument. As campaign group I Hate Numbers has demonstrated, these 'free' options come with significant hooks and restrictions:

- Conditional Use: Some require users to switch their business bank account, creating huge administrative friction.
- Time-Limited: Others are free only for the pilot period before paid pricing begins when MTD becomes mandatory in 2026.
- Transaction Limits: Most are 'freemium' models with transaction or functionality caps, forcing taxpayers to upgrade to a paid subscription costing £100–£300 per year just to meet their statutory duty.
- This shift imposes a 'Software Tax' on taxpayers who are already managing costs during a challenging economic period.

The Precedent: Universal Credit

If the government mandates a digital service, it should provide the free tool to access it. When the Department for Work and Pensions rolled out Universal Credit, they built the Universal Credit portal. They did not instruct 22 million claimants to "go and buy third-party software to apply for your benefits."

This is not a partisan issue; it is a matter of administrative fairness. When the government digitised Universal Credit, they ensured accessible, state-provided routes were available. They should do the same for tax.

A Solution to Restore Trust

I am asking for your support in requesting that the Treasury provides a Basic Digital Compliance Tool.

My Request

Please could you write to the Financial Secretary to the Treasury on my behalf? I would like you to ask the Minister to consider commissioning a free, basic government software option (or a free bridging tool for spreadsheets) for MTD.

Thank you for your time and for your support of local small businesses.

Yours sincerely,

[Your Name] [Your Email Address] [Your Phone Number (Optional)]