

UK 2025

xero

Accounting and Bookkeeping Industry Report



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Foreword

We are excited to bring you the latest Accounting and Bookkeeping Industry Report for the UK's accounting and bookkeeping sector. This report explores key trends shaping the sector, and helps practices benchmark their performance against their peers. Our goal is to provide valuable insight into the sector, to help you navigate future challenges and seize emerging opportunities.

A change in government last year introduced a new regulatory landscape, with significant reforms that will reshape the UK's accounting and bookkeeping industry especially as we get closer to the Making Tax Digital for Income Tax (MTD for IT) deadline. This year's report explores MTD for IT in more detail including overall perceptions, impact on practices and small businesses, and potential opportunities.

Overall, our research indicates that the past year has been a strong one for the profession. Practices of all sizes report growth in revenue, profitability, and client numbers, with many saying that technology has had a significant

role to play across all three. Accountants and bookkeepers say cloud-based software and technological tools are a reason for practice growth, enhanced day-to-day workflows, and greater work life balance.

However, there is still untapped potential. Practices are not always making the most of the tools at their disposal, and there is still room to increase practice efficiency and reap the benefits of cloud usage.

Looking ahead, the future of the profession remains promising. Accountants and bookkeepers continue to express optimism, with technology expected to remain a key focus — both as a continued driver of growth and as an immediate priority in preparation for MTD for IT.

We hope the insights in this report help you better understand the evolving landscape of the accounting and bookkeeping sector, empowering you to make informed decisions and stay ahead in an increasingly dynamic industry.



Kate Hayward,
UK Managing Director

How to read this report

This report, commissioned by Xero and facilitated by Quadrant Strategies, is based on an online survey of 250 accountants and bookkeepers from independent panels. The report findings reflect their anecdotal experiences relevant to their particular clients and practices.

Throughout this report we have used terminology to compare different groups.

Practice size:

Within the report we have referred to the following practice sizes based on the corresponding employee numbers (including themselves):

Total	All respondents
Sole Practitioners	1 employee
Small Practices	2-10 employees
Medium Practices	11-50 employees
Large Practices	51 + employees

In charts, 'Sole Practitioners' has been shortened to SP for readability.

Software groupings:

Within this report, we refer to different groups of software users based on the following definitions:

Xero users: Use Xero for “bookkeeping” and/or accounts production and tax and/or practice management

Non-Xero users: Do not use Xero for “bookkeeping” or accounts production and tax or practice management

Integrated Xero users: Use Xero for “bookkeeping” and accounts production and tax and practice management

Cloud users: Use cloud software only or in conjunction with desktop software for “bookkeeping”

Desktop users: Only use desktop software for “bookkeeping”

Notes

“Bookkeeping” referred to in the context of software usage (as above and throughout the report) is based on accounting software brands used to do work for or with clients.

Where there has been data grouped, a bespoke definition for the purposes of the report or a base size is under 30 it has been indicated on the page and where relevant, further detail included in the appendix.

Shortened answer options and edited quotes throughout for readability.

Any time periods referenced are as at time of fieldwork.

Answer options may not add up to 100% due to rounding.

Quotes

Quotes from survey respondents are represented in the following format: job title (size of practice): “answer as per survey response.”

Quotes from industry experts are represented in a box format surrounded by dashed lines.

The information and commentary in this report is a guide only and should not be taken as taxation, financial or legal advice. We recommend you check with an independent expert that what you're doing is right for you and your practice.

Key headlines

1 The UK accounting and bookkeeping industry is healthy and thriving, with growth across key areas

79%

of practices report **increased revenue** compared to the prior year

74%

of practices report **increased profits** compared to the prior year

49%

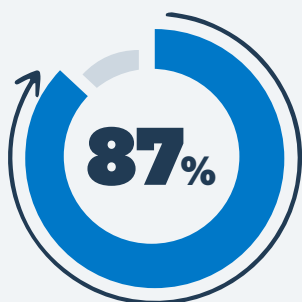
of practices report **gained new clients** compared to the prior year

Other than winning new clients, growth is driven by **deepening existing client relationships, optimising workflows, and evolving service offerings.**

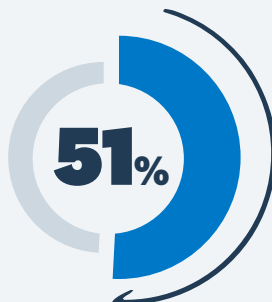
Advisory and bookkeeping emerge as practices' primary sources of revenue. While advisory services are becoming increasingly important, bookkeeping remains a core and lucrative offering.

2 Technology, including cloud software, is seen as a major opportunity for the industry and a driver of growth – but, there is significant opportunity for practices to unlock more of the benefits

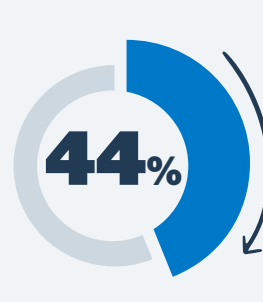
The benefits of cloud adoption are wide ranging:



of practices say use of cloud-based accounting software leads to **increased client satisfaction.**



of cloud users experience **client growth** (vs 38% of desktop users).



report that **adopting or switching to cloud-based software has increased their practice efficiency.**

While 86% of practices use cloud for at least one client, only 59% of their bookkeeping work is done in the cloud. Additionally, just 40% of clients are set up with connected bank feeds, 33% use payment tools, and only 31% rely on data capture tools.

When looking at practice management specifically, 71% of accountants and bookkeepers report that their practice management software is well integrated - **an opportunity for 29% of practices to improve efficiency.**



3

Optimism for the future, including the MTD for IT mandate, is high among accountants and bookkeepers

Optimism meter



77% of respondents feel positive regarding the future of their practice, and use of technology impacts levels of optimism.

This optimism extends to MTD for IT with the majority of respondents (75%) having a positive outlook on the initiative, many believing it will benefit their practice and/or small businesses. More than 4 out of 5 respondents agree that the mandate will allow them to win new clients (82%) and increase clients' satisfaction (81%).

32%

of cloud users report feeling very optimistic about the future

vs

25%

of desktop users

Small Businesses

Meanwhile, the key benefits of MTD for IT for small businesses are perceived to be **improved accuracy in tax reporting (46%), greater efficiency (43%), and simpler tax compliance (42%).**

! Despite clear benefits, there is a key need to address security and data privacy concerns related to new technology as digitisation initiatives such as MTD are mandated.

SECTION 1

The state of the UK accounting and bookkeeping industry



Revenue, profits, and client growth

Reflecting on the past year, accounting and bookkeeping practices report a strong period of growth

Practices across the board thrived:

79%

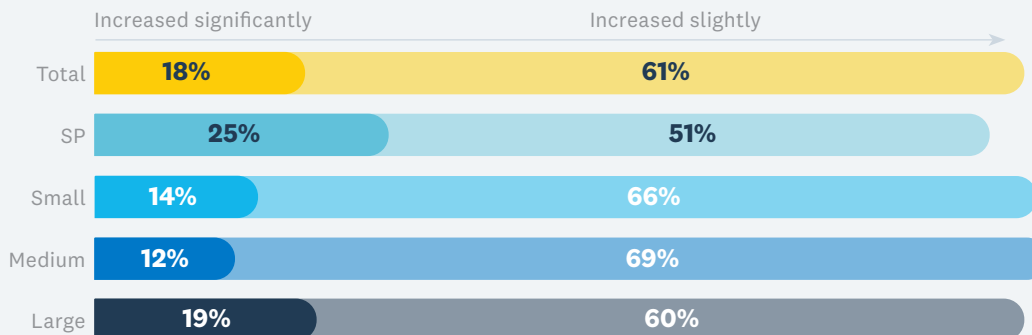
report increased revenue
compared to the prior year

74%

report increased profits
compared to the prior year

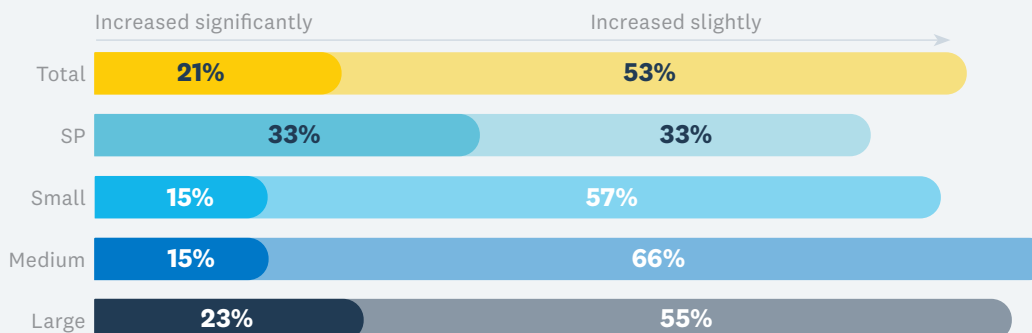


Increases in practice revenue



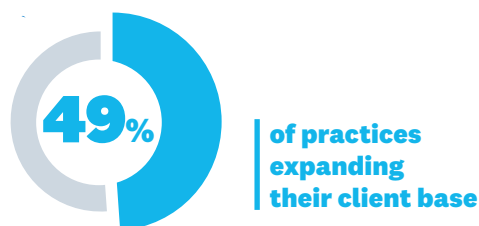
Thinking about this time last year, how has your practice's revenue changed?
Base: Total (250), Sole practitioners (55), Small (65), Medium (68), Large (62)

Increases in practice profits



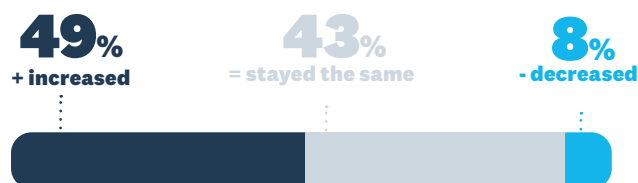
And how have your practice's profits changed since this time last year?
Base: Total (250), Sole practitioners (55), Small (65), Medium (68), Large (62)

Beyond financial performance, client growth has been healthy, with



On average, practices grew their client numbers by 15%, with sole practitioners and small practices seeing a slightly larger increase than medium and large practices.

Changes in client list



Thinking about this time last year, how has your practice's client list changed?

Base: Total (250)

Average client increase



Thinking about this time last year, how has your practice's client list changed?

Base: Among practices with client growth - Total (125), Sole practitioners (18)*, Small (38), Medium (36), Large (33)

*small base size

The picture remains positive among those who did not grow their client base with **43% of practices maintaining the same amount of clients**, a sign of the strength and value existing relationships bring to practices. One business consultant (small practice) observes: *"We are getting even more [...] repeat business from existing clients who are happy with our service [...] and can see the benefit our services bring to their bottom line."*

In an evolving industry, the ability to retain and nurture clients is just as crucial as winning new ones. The next section will explore the impact of deepening existing client relationships alongside other drivers of growth.

Who experienced client growth?

51%
cloud users

VS

38%
desktop users

57%
Xero users

VS

42%
non-Xero users

68% among integrated Xero users

Thinking about this time last year, how has your practice's client list changed? Base: Cloud users (227), Desktop users (117), Xero users (126), Non Xero cloud users (101), Integrated Xero users (41)

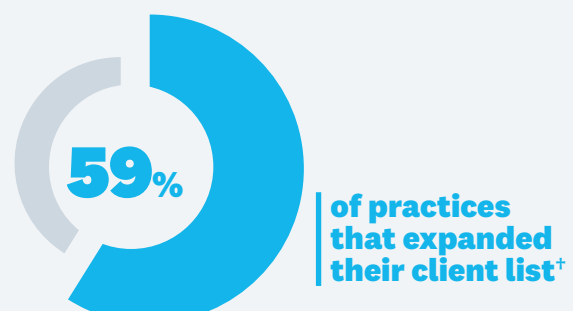
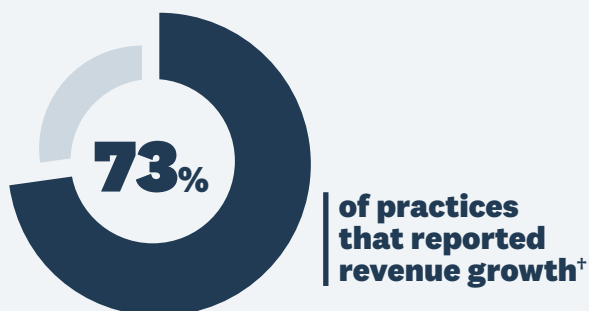
Drivers of growth

Other than winning new clients, practice growth is being driven by deepening existing client relationships, optimising workflows, and evolving service offerings



1 Client relationships

Whether it is winning new clients, building on existing relationships or both, client relationships are identified as a key reason for practice growth among:

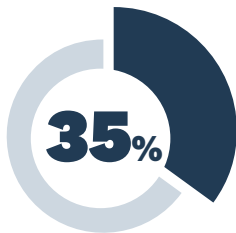


In an increasingly competitive landscape, **firms that prioritise client relationships are seeing long-term benefits**. Strengthening trust and engagement not only leads to higher client retention, but also drives referrals and opportunities for expanded service offerings. As client expectations continue to evolve, accountants and bookkeepers who foster strong relationships will remain well-positioned for sustained success.

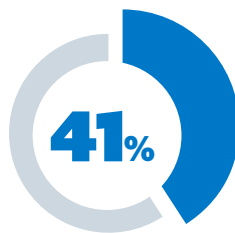
[†]shows practices that select at least one applicable reason from top 5 list

2 Optimising workflows and streamlining processes

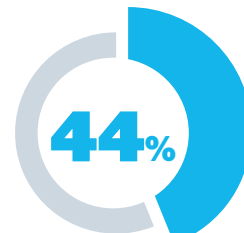
Efficiency and automation play a crucial role in practice growth. Optimising workflows and streamlining processes was given as a key reason among:



of practices
that reported
revenue growth



of practices
that experienced
profit growth

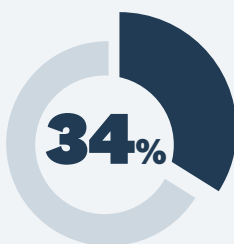


of practices
that expanded
their client list

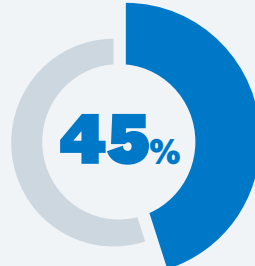
With technology advancing rapidly, **firms are increasingly turning to automation and cloud-based solutions to optimise workflows.** As one independent bookkeeper (medium practice) notes: “I’m leveraging automation to enhance accuracy and productivity.” These tools not only reduce manual effort but also enhance accuracy, allowing practices to scale efficiently.

3 Changing service offerings

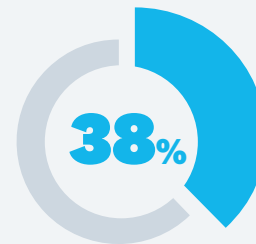
Expanding and refining services has proven to be another critical driver of growth among:



of practices
that reported
revenue growth



of practices
that experienced
profit growth



of practices
that expanded
their client list

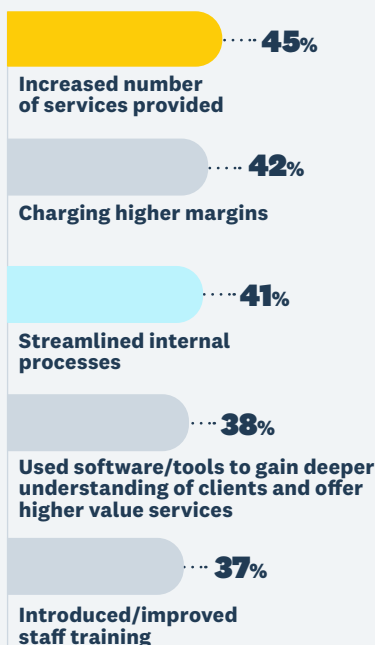
As client needs become more complex, firms that adapt and offer tailored solutions are gaining a competitive edge. A business consultant (medium practice) states: “[We are] offering flexible and personalised services to increase client satisfaction and retention.” From advisory services to customised financial planning, the ability to provide added value beyond compliance-based work is shaping the future of the industry. This shift towards **a more service-driven model** is not just a trend—it’s becoming a necessity for long-term sustainability and profitability.

Top 5 reasons for growth in...

REVENUE



PROFIT



OF CLIENTS



■ Client relationships
 ■ Optimising workflows and streamlining processes
 ■ Changing service offerings
 ■ Other

In your opinion, why has your practice experienced an increase in revenue? Base: Those who experienced an increase in revenue - Total (198) In your opinion, why has your practice experienced an increase in profit? Base: Those who experienced an increase in profits - Total (186) You mentioned that the amount of clients your practice services has increased since this time last year. Please select up to three reasons for this increase. Base: Those who experienced an increase in client numbers - Total (125)

• See appendix for full answer option list

“What’s exciting is that the findings highlight the triple win of adopting technology – driving growth in client relationships, improving servicing efficiency, and expanding the range of services firms can offer. Technology fosters success across the board for clients, firms, and the wider accounting profession.”



Caroline Plumb,
Group CEO, Gravita

“Seeing technology as a key part of the available levers of control stands out as a defining theme across much of the results.”

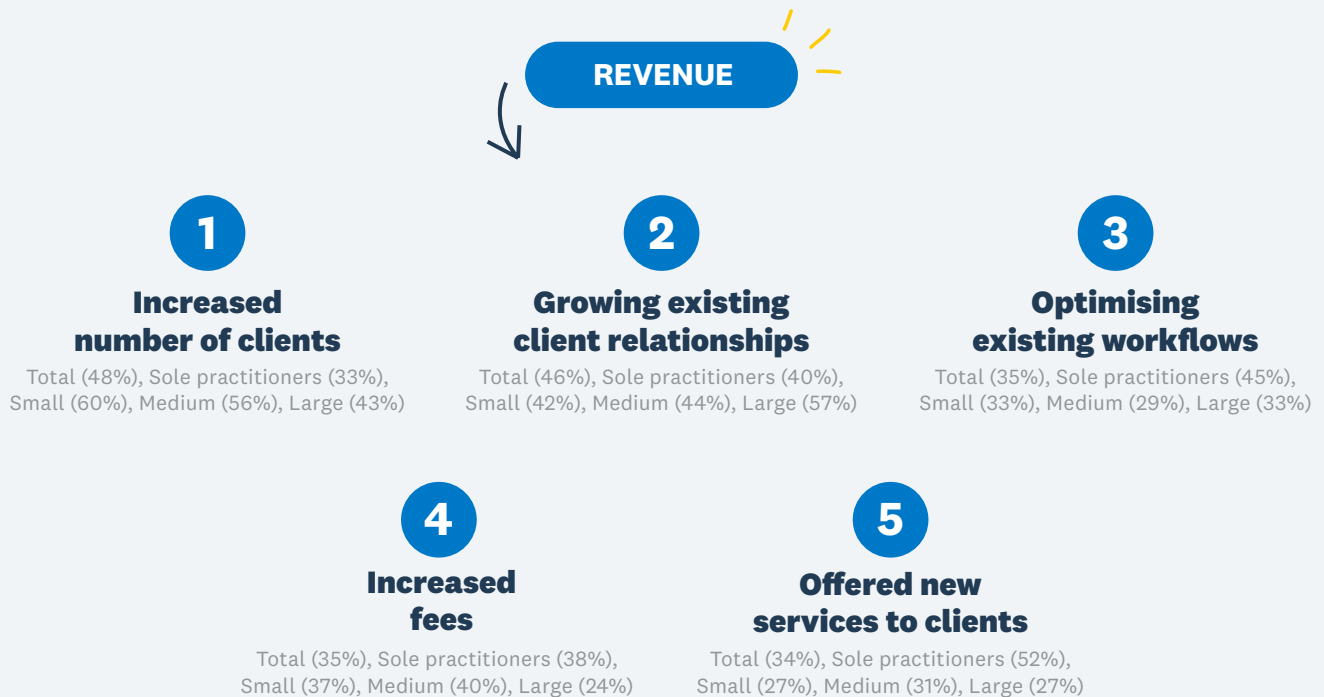


Richard Sergeant,
Managing Director, Principle Point Ltd

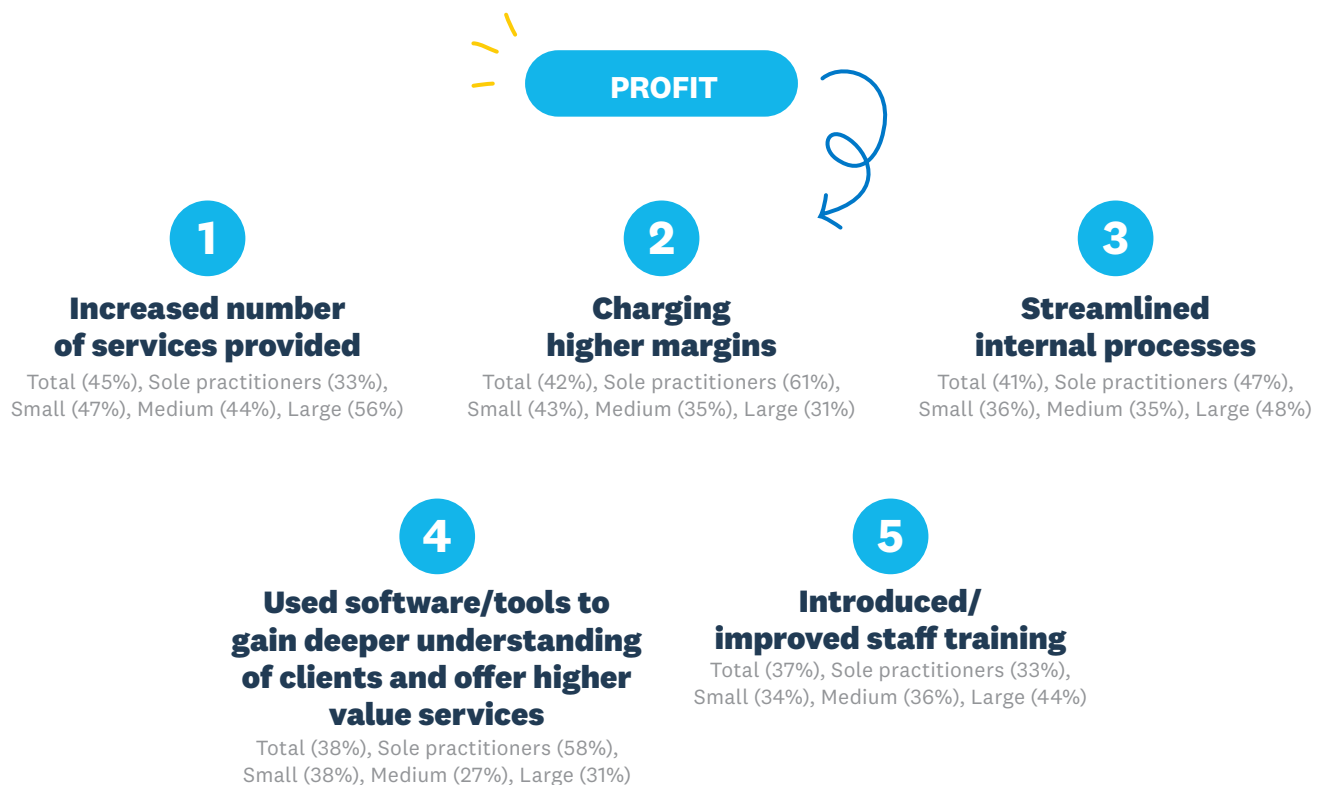
With digital advancements continuing to reshape how accountants and bookkeepers work, firms that focus on utilising technology to support **client relationships, operational efficiency, and service expansion** will be best positioned to thrive.

However, the size of the practice influences what drives growth across revenue, profit, and number of clients.

Top 5 reasons for growth according to practice size



In your opinion, why has your practice experienced an increase in revenue? Base: Those that have experience revenue growth - Total (198), Sole practitioners (42), Small (52), Medium (55), Large (49)
· See appendix for full answer option list



In your opinion, why has your practice experienced an increase in profit? Base: Those that have experience profit growth - Total (186), Sole practitioners (36), Small (47), Medium (55), Large (48)
· See appendix for full answer option list



You mentioned that the amount of clients your practice services has increased since this time last year. Please select up to three reasons for this increase. Base: Those that have experience increases in client list -

Total (125), Sole practitioners (18)*, Small (38), Medium (36), Large (33)

*small base size - See appendix for full answer option list

“Sole practitioners have limited levers of control – they must have the time, skills, and capacity to deliver new services, which reinforces the need for efficiency in their operations. On the other hand, larger practices are focusing on deepening their expertise and upskilling staff. With more confidence in their processes and systems, they are now looking to optimise further and extract greater value from their existing investments.”



Richard Sergeant,
Managing Director, Principle Point Ltd



Key services and sources of revenue

Advisory and bookkeeping are the most commonly offered services and main sources of revenue

Expanding or enhancing service offerings is a key driver of growth for accounting and bookkeeping firms. When looking at the specific services provided, **advisory** (including tax planning and business advisory) and **bookkeeping** emerge as the most commonly provided and financially lucrative services.*

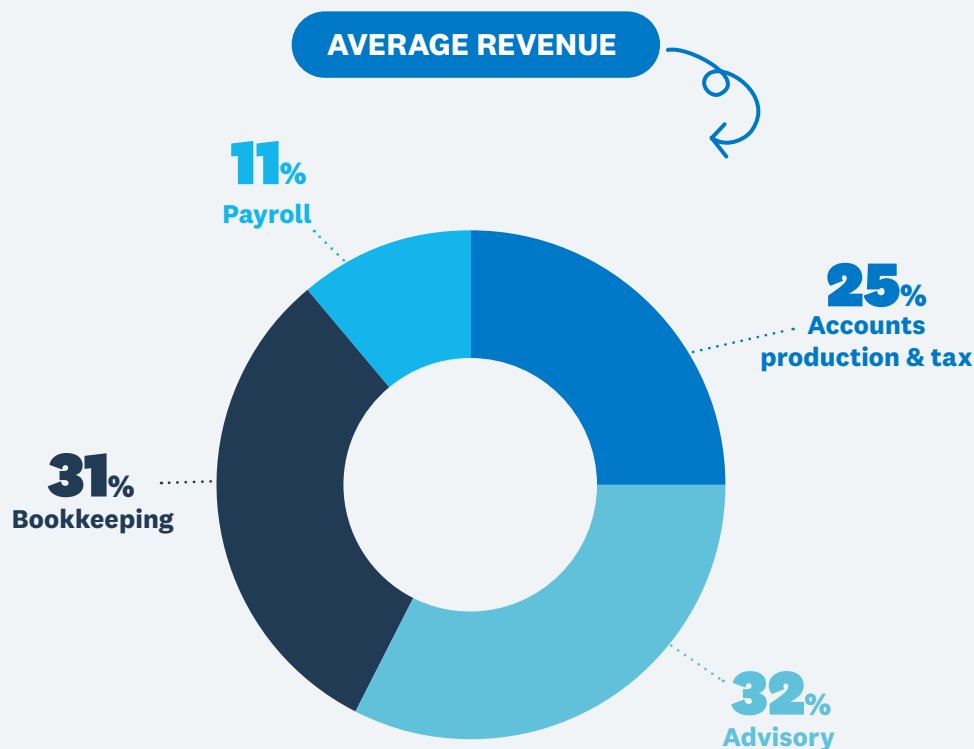
Most commonly offered services:

91% ✱
Advisory

82% ✱
Bookkeeping

*see appendix for full definition and breakdown of services offered

With their widespread adoption and strategic importance, **advisory and bookkeeping services account for nearly two-thirds of revenue:**



What proportion of your practice's revenue comes from the following services that you provide?

Base: Total (250), N.B. chart excludes those saying revenue attributed to 'other' services

· See appendix for full answer option list



The impact of advisory reflects the **growing role of accountants and bookkeepers as strategic partners** that help businesses navigate financial complexities and plan for long term success. This trend may continue with regulatory changes such as MTD for IT.

”

“The growth in advisory services, especially tax planning, highlights the growing value firms bring to their clients. The profession is becoming the key trusted advisor, helping businesses thrive and navigate an increasingly complex regulatory landscape.”

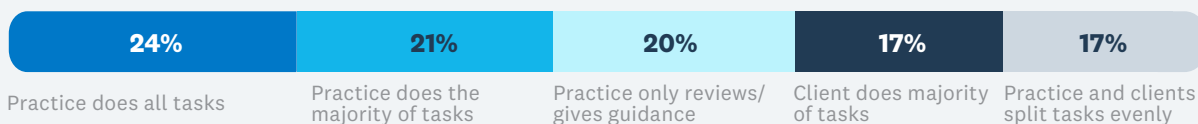


Caroline Plumb,
Group CEO, Gravita

As firms continue adapting to industry changes and shifting client expectations, **balancing advisory growth with bookkeeping efficiency will be key to long-term success.**

Currently, 20% of clients only receive advice and guidance from their accountant or bookkeeper, 24% have all their bookkeeping handled by the practice, and the remaining 55% split the bookkeeping tasks with their accountant or bookkeeper in various ways.

Ways of servicing bookkeeping clients (average)



Thinking about bookkeeping tasks for your clients, what percentage of your clients do you service in the following ways?
Base: Those that offer bookkeeping services - Total (205)

No matter how clients and practices choose to split work, collaboration and information sharing remains key to every service model. Greater collaboration can be facilitated by cloud accounting, which enables clients and practices to work more seamlessly and efficiently together, as shown in Section 2.

SECTION 2

Technology as the key to unlocking practice efficiency



The evolving role of technology

Adoption of new technology or software is one of the most significant changes in practices over the past year

Reflecting on the past year,

42% of accountants and bookkeepers report that adopting new technology or software has been one of the most significant changes in their practice.



As explored previously, technology has played a role in client growth, whilst also likely having a role in the optimisation of workflows and the

expansion of service offerings. One accountant (medium practice) explains the broad benefits of technology adoption on practices: “Embracing new technology and automation allows us to streamline processes, reduce errors, and provide better services to our clients.”

Other major changes — adjustments to pricing or service offerings (38%) and the adoption of new or streamlined internal processes (33%) — closely align with the growth drivers, reinforcing the significance of these on practices.

Most significant changes in practices over the past year

42%

Adoption of new technology or software

38%

Changes in pricing or service offerings

33%

Adoption of new / streamlining internal processes

30%

Expansion of the practice

30%

Enhanced focus on data security and privacy

29%

Changes in staff or team structure

28%

Changes in client demands or expectations

27%

Transition to remote or hybrid work models

19%

Downsizing of the practice

In comparison to this time last year, what have been the most significant changes in your practice?
Base: Total (250)

Such a move towards digitisation and technological advancement in the industry spells a major shift in how accountants and bookkeepers work today and, the rate of technological change shows no signs of slowing down.

"We utilise a significant amount of automation and data analytics for our own internal reporting, which allows us to operate in an increasingly efficient way. We see a significant opportunity to expand a similar offering to our clients over the next two years."



Malcolm Pope,
Partner, Shorts Chartered Accountants

Accountants and bookkeepers see AI and other technological advancements as both the biggest opportunity and the greatest challenge facing the industry

Practices see technology as the biggest change, and it will remain a key focus moving forward. In fact, accountants and bookkeepers see **AI, along with other technological changes or advancements, among the top opportunities and challenges** faced by the industry in the next few years.

“

“Adapting to AI is going to be very beneficial for our organisation which will eventually help us to increase our revenue.”

- Accountant (medium practice)

VS

”

“There are worries that AI could be misused to provide false information, make deep fakes, or automate dangerous operations.”

- Accountant (small practice)



Biggest opportunities

in the next 1-2 years

showing top 5

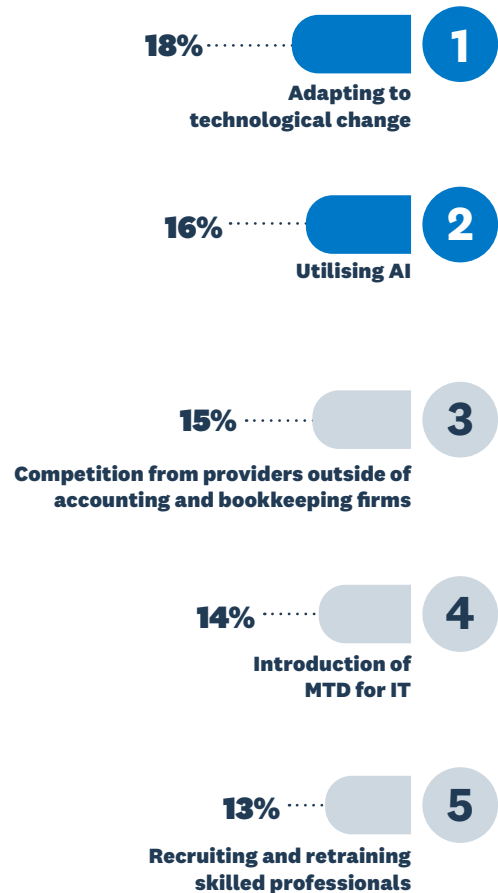


VS

Biggest challenges

in the next 1-2 years

showing top 5



■ Technology ■ Other

Thinking ahead to the next one to two years, what do you see as the biggest opportunity/challenge for the accounting and bookkeeping industry? Base: Total (250)

· See appendix for full answer option list

The growing use of AI and rate of digital transformation means accountants and bookkeepers are facing **growing competition from banks, fintech firms, and software providers**. Small businesses, which once relied primarily on accountants for guidance, now have more options—including DIY bookkeeping

software and financial services embedded within banking platforms.

In this shifting landscape, accounting and bookkeeping firms need to **reinforce their unique value while leveraging changing technology**.

Cloud software as a key driver for practice efficiency

The benefits of cloud software are wide ranging, including being an important lever in unlocking practice efficiency

Where AI can often feel like the future, cloud-based accounting software is, very much, the present, and accountants and bookkeepers who use cloud software are already seeing its wide ranging positive impact. One accountant (large practice) remarks: *“We have seen steady growth in customers especially in our cloud-based services*

so I am very optimistic about the times to come.”

These benefits extend across day to day work, client relationships, and their practices. The top benefits cited include **increased client satisfaction (87%) and creating more time to focus on practice growth (86%)**.

Benefits of cloud accounting software

% showing agree and strongly agree



Please indicate your level of agreement with the following statements. Since using cloud accounting software...?
Base: Cloud users (214)

When asked what has increased efficiency within their practice, accountants and bookkeepers point to **cloud-based software as a key driver**, second only to flexible working.

44% report that adopting or switching to cloud-based software has increased their practice efficiency while 34% attribute this to incorporating integrated end-to-end solutions.*

This increased efficiency has led to tangible business benefits, including: **greater quality of work** (41%), **increased productivity** (39%), and **increased profit** (36%).

Benefits of practice efficiency

% selected

showing top 10 only

■ Total ■ SP ■ Small ■ Medium ■ Large



What benefits, if any, has your practice experienced as a result of being able to run your practice more efficiently?

Base: All saying their practice runs more efficiently - Total (244), Sole practitioners (54), Small (62), Medium (67), Large (61)

- see appendix for full answer option list

For sole practitioners and large practices, the benefits differ slightly. Sole practitioners report improved client relationships as the most common impact (44%) followed by increased practice profits (43%). This aligns with the growth trends we are seeing amongst sole practitioners who were

most likely to report significant profit gains and higher increases in client lists compared to other practice sizes. Large practices were most likely to see greater quality of work as a benefit of practice efficiency (52%).

"Having recently acquired a smaller local practice, we've already seen the benefits our digital-first approach brings to their clients and team members. It's clear that many businesses are still missing out on the efficiencies that cloud technology can offer."

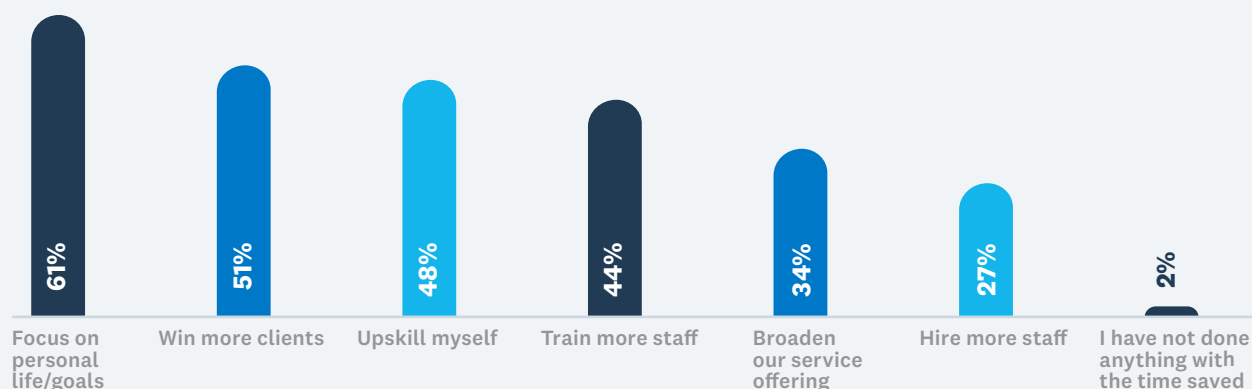


Malcolm Pope,
Partner, Shorts Chartered Accountants

Use of extra time resulting from practice efficiencies

Beyond business performance, greater efficiency has also created valuable time savings with **24% of accountants and bookkeepers reporting having saved time during their workday**. Of these, 61% use the extra time for personal life

and goals, while 51% focus on winning more clients and 48% on upskilling themselves. Practice efficiency is more than a business advantage, it is a pathway to greater flexibility and professional growth.



You mentioned that your practice has been able to save time due to practice efficiencies. What, if anything, have you personally been able to do with this extra time? Base: All who have saved time due to practice efficiencies - Total (57)

Unlocking the benefits of cloud

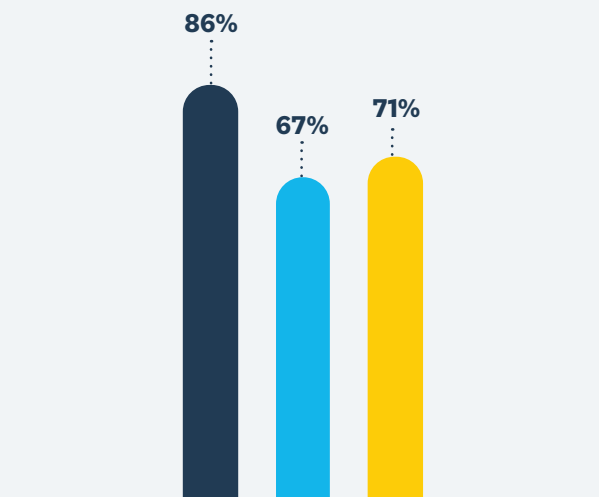
Although cloud-based software is widely used, there remains room for increased adoption

Adoption of cloud-based accounting is a journey and many practices are still in the early stages of that journey. 86% of practices use cloud for at least one client but only 59% of the bookkeeping work they do is delivered using cloud.



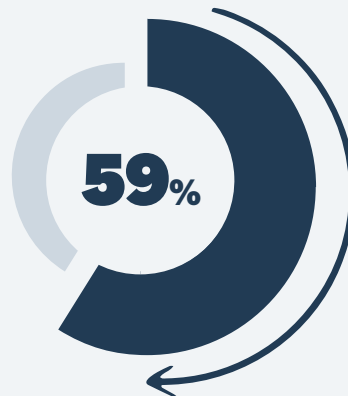
Amount of practices that use cloud software for different tasks

■ Bookkeeping ■ Accounts & tax ■ Practice Management



Which of the following accounting software brand(s) do you currently use to do work for or with your client(s)? Base: Total (250); What accounts production and tax software does your practice use to prepare and file your clients' tax returns? Base: Total (250); What practice management software does your practice use? Base: Total (250)

Percentage of bookkeeping services done using cloud accounting software (average)



Thinking about the bookkeeping services you do for or with clients, what percentage of these services are done using cloud accounting software? Base: Cloud users (190)

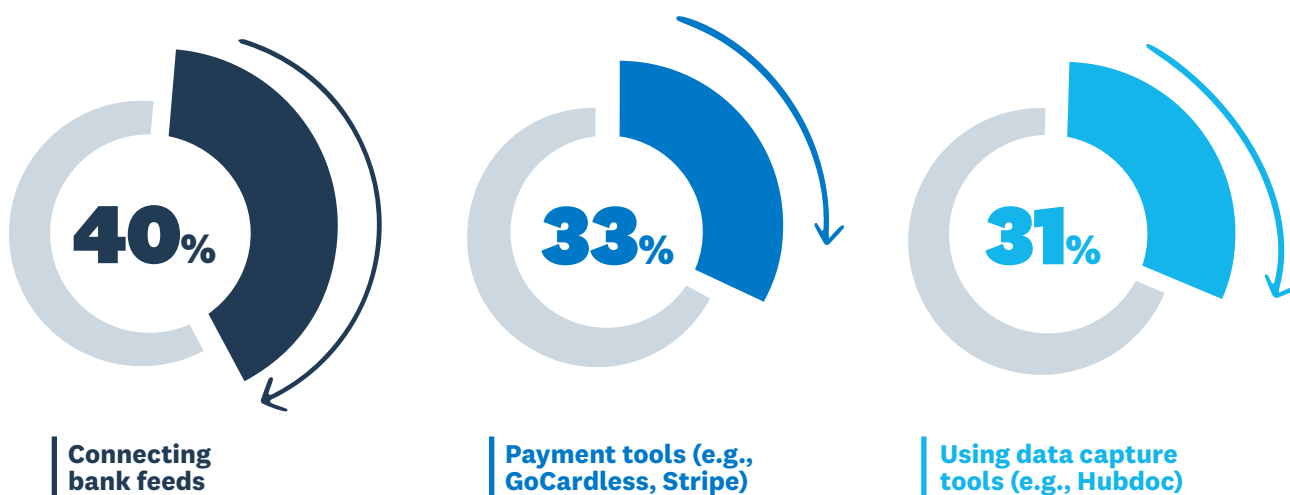
"With 59% of bookkeeping services being delivered through the cloud, it underlines the tectonic shift over time, though it still remains relatively small compared to the overall activity."



Richard Sergeant,
Managing Director, Principle Point Ltd

Practices are also under utilising the full suite of features available to them. Practices that use cloud software for bookkeeping **only use connected bank feeds for 40% of clients, payment tools for 33%, or capture tools for 31%.**

Percent of clients for whom practices use the following cloud accounting software features (average)



The following are specific features of cloud accounting software. What percentage of your practice's clients do you use these specific features of cloud accounting software for? Base: All those using cloud accounting software and excluding those who answered "Don't know" Total - (187)

A key barrier to adoption is **concern over data security and privacy**, which prevents some practices from fully embracing these additional features. However, cloud accounting software like Xero is protected by multiple levels of security, using high-level encryption and rigorously tested software and systems to keep data secure.

"We plan to grow by 57% over the next five years and we are on track to achieve this. It would not be possible to do this without the digital platform we now have."

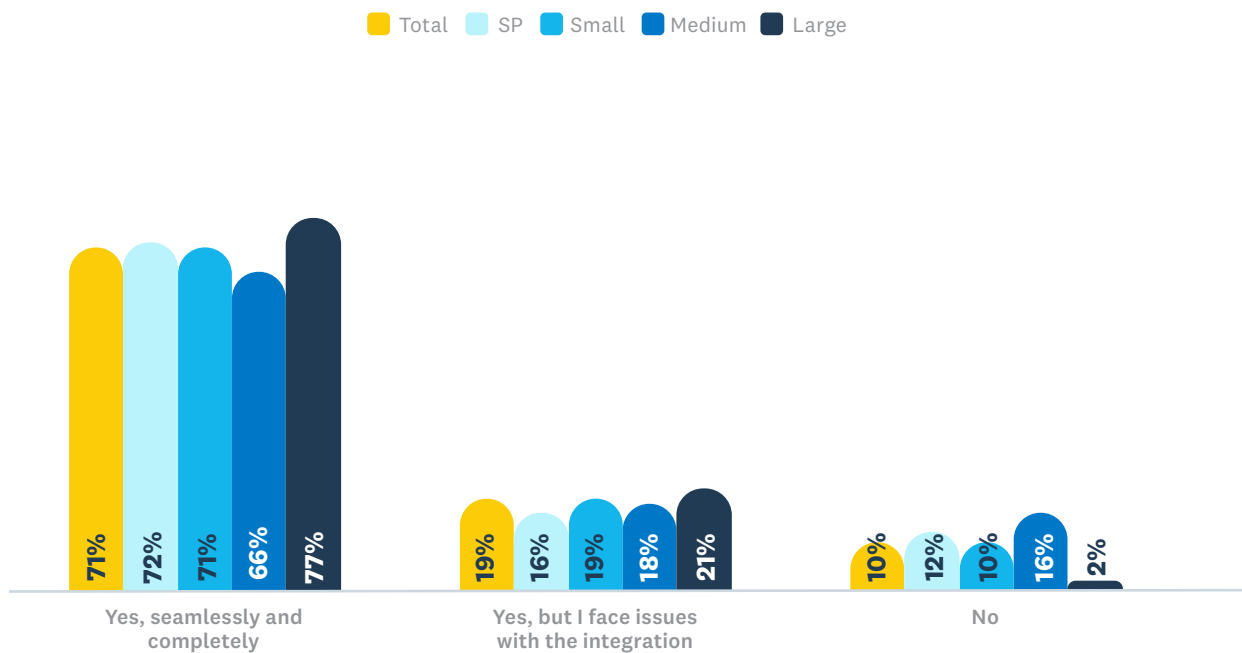


Malcolm Pope,
Partner, Shorts Chartered Accountants

When looking at practice management specifically, **71% of accountants and bookkeepers report that their practice management software is well integrated** with the accounting software used for client work. However, there is room for further optimisation, especially among medium practices

as only 66% of them report seamless integration. As the cloud software landscape evolves, adopting integrated solutions can improve practice workflows and streamline service delivery.

Practice management software integration



Is the practice management software your practice uses integrated with the accounting software you use for clients?
Base: All those who use cloud practice management software - Total (198), Sole practitioner (43), Small (52), Medium (56), Large (47)

Although the benefits to cloud adoption are numerous, there remains significant opportunity to deepen adoption across both client work and practice management. Alongside technological

advancements, the implementation of MTD for IT provides a reason for practices to review their tech stack.

SECTION 3

Making Tax Digital for Income Tax



Views on Making Tax Digital for Income Tax

Accountants and bookkeepers are optimistic about Making Tax Digital for Income Tax (MTD for IT) and its impact on practices and small businesses

With MTD for IT set to take effect in April 2026,

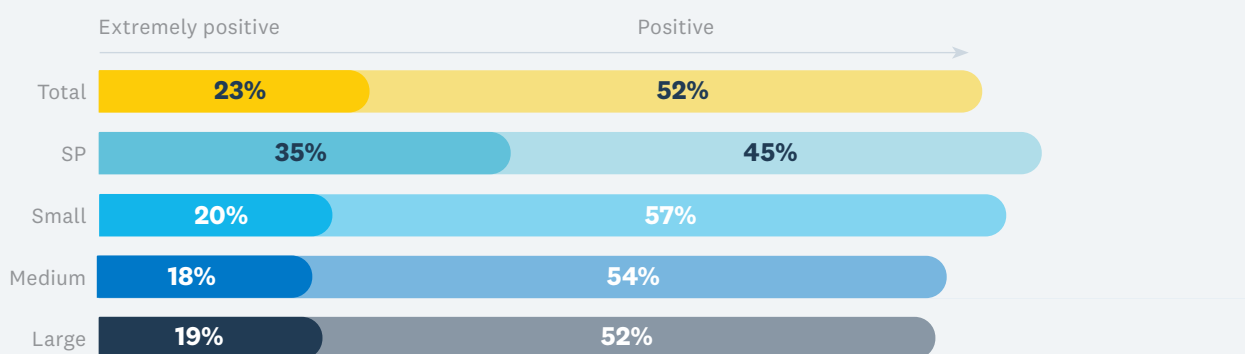
Optimism meter



75% | of respondents currently have a positive outlook on the government initiative.



Feelings towards MTD for IT



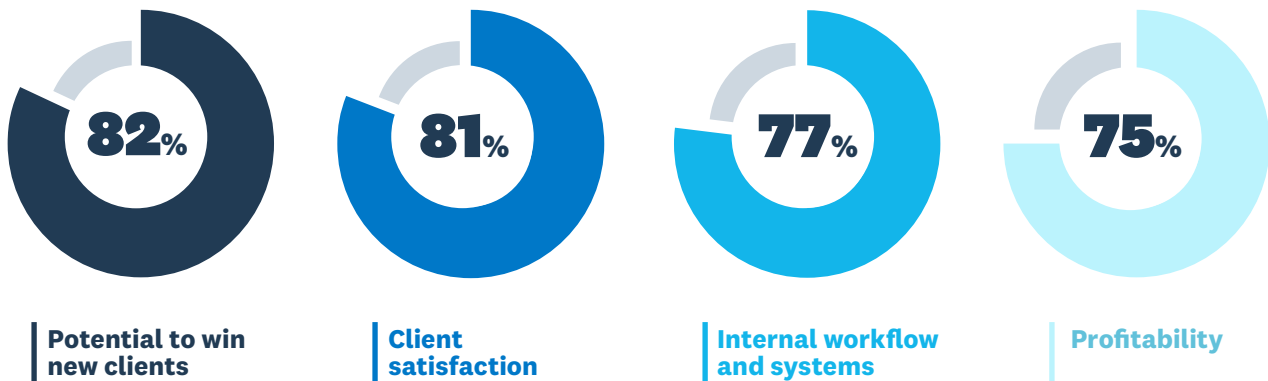
Which best describes your feelings towards the Making Tax Digital (MTD) for Income Tax initiative? Base: Excluding those who answered "Don't know" - Total (245), Sole practitioners (54), Small (64), Medium (66) Large (61)

At a practice level, the majority recognise the clear benefits of MTD for IT. Practices expect the impact to be positive on the potential to **win new clients** (82%) and on **client satisfaction** (81%). Additionally, **77% expect positive impacts** on

internal workflows and systems, and **75% on profitability**. Summing it up, one accountant (small practice) states: "I'm positive about the future because MTD kicking in next year means a lot more work for us."

Perceived positive impacts of MTD for IT on practices

% showing positive and very positive

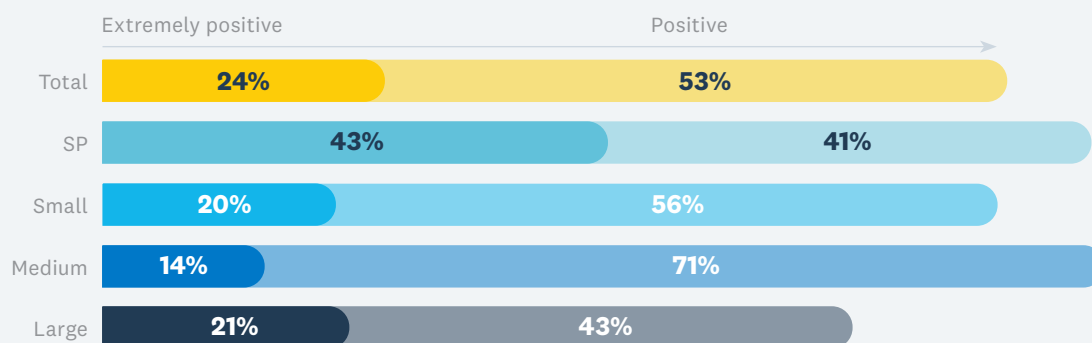


Thinking about your practice, which best describes the impact the Making Tax Digital (MTD) for Income Tax initiative will have?
Base: All who responded "Positive" and "Very Positive", excluding those who answered "Don't know enough about MTD for IT"
Total - (245) · See appendix for full answer option list

Looking at the broader impact, **the majority (77%) of accountants and bookkeepers believe that MTD for IT will have a positive impact on small businesses.** Sole practitioners report

feeling extremely positive about the impact of MTD on small businesses in higher numbers (43%) compared to other practice sizes.

Perceived impact of MTD for IT on small businesses

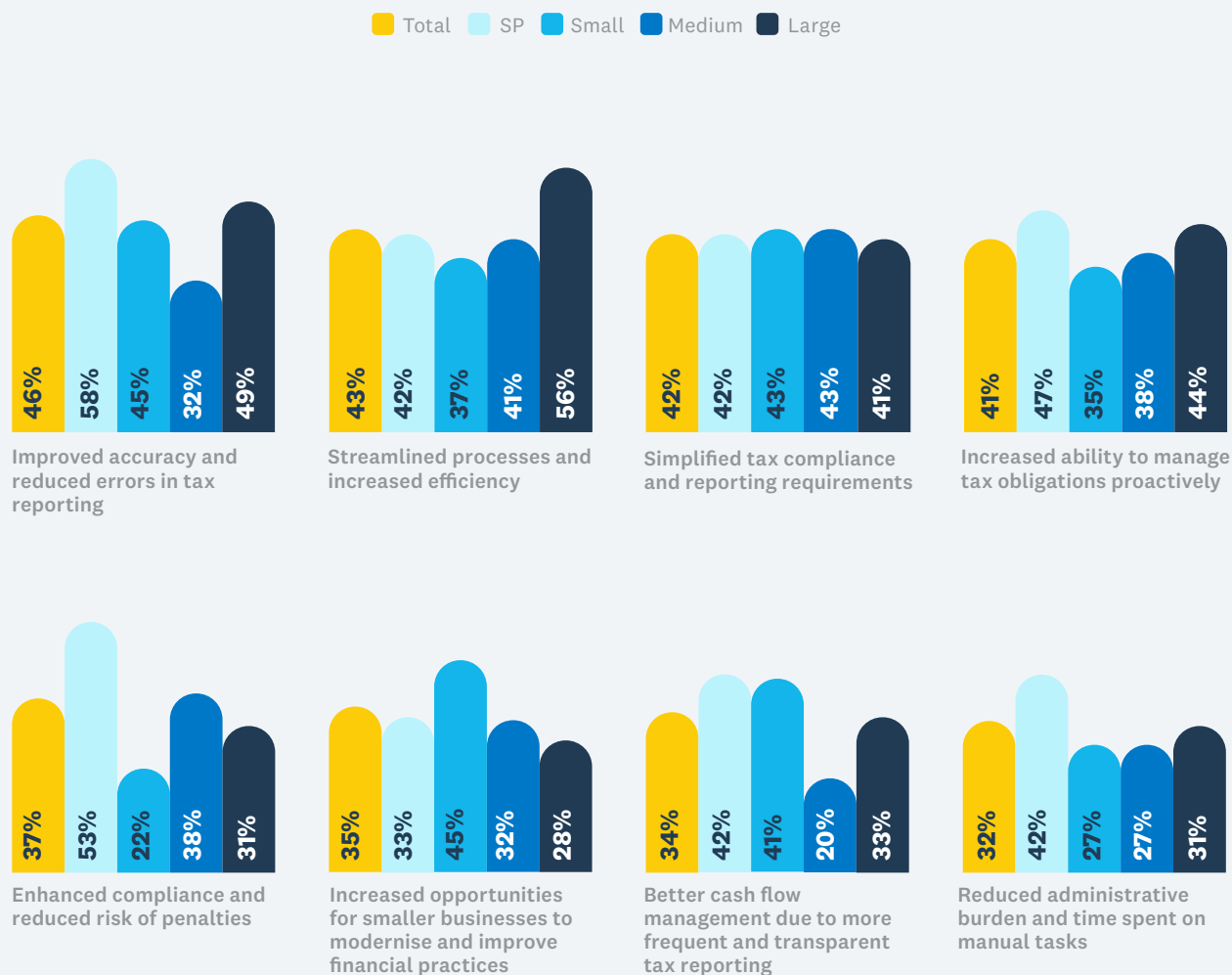


Which best describes the impact of the Making Tax Digital (MTD) for Income Tax initiative on small businesses?
Base: Excluding those who answered "Don't know" Total - (245), Sole practitioners (54), Small (64), Medium (66), Large (61)

According to those surveyed, the main benefits of MTD for IT on small businesses include **improved accuracy and reduced errors in tax reporting**

(46%), streamlined processes and increased efficiency (43%), as well as simplified tax compliance and reporting requirements (42%).

Perceived benefits of MTD for IT on small businesses by practice size



You mentioned that you believe that the Making Tax Digital (MTD) for Income Tax initiative will have a positive/very positive impact on small businesses. Please select all of the reasons why. Base All those who think it will have a positive impact
Total - (189), Sole practitioner (45), Small (49), Medium (56), Large (39)

However, perceptions of these impacts differ according to the different practice sizes. Sole practitioners are more likely to emphasise improved accuracy and enhanced compliance

as the primary benefits for small businesses, while large practices see streamlined processes and increased efficiency as the most significant advantages.

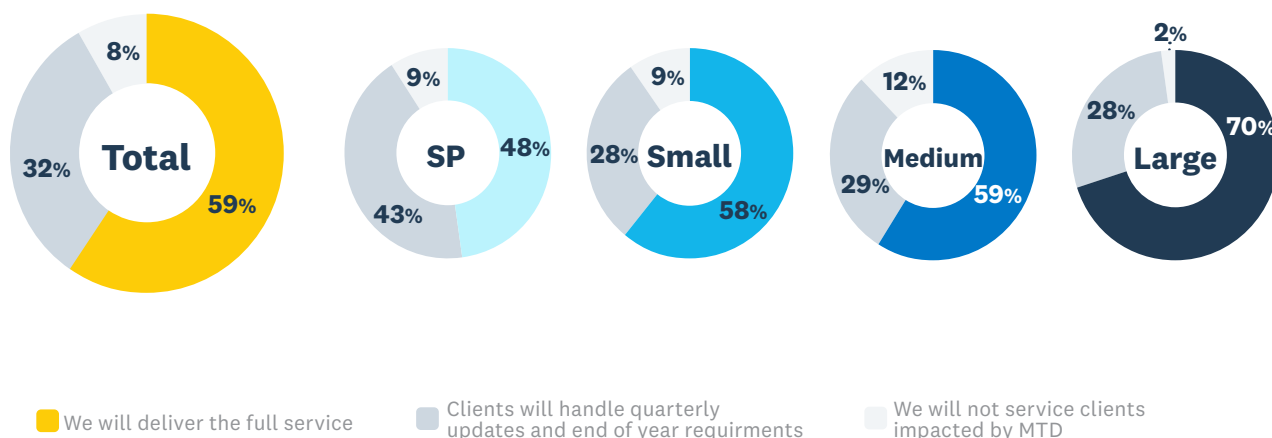
How accountants and bookkeepers plan to support their MTD for IT clients

Accountants and bookkeepers feel broadly prepared ahead of the MTD for IT initiative

59% of accountants and bookkeepers intend to provide both quarterly updates and end-of-year filing—with clients only responsible for digital recordkeeping. In contrast, nearly a third (**32%**) **intend to split the work** with clients handling the quarterly updates, while the practice focuses on the end-of-year tasks.

Practice size plays a role in the service approach. Sole practitioners are more likely to split the work with their clients compared to larger practices; 48% of sole practitioners plan to provide the full service compared to 70% of large practices. 43% of sole practitioners intend to work with clients on end of year requirements while letting clients manage quarterly updates, compared to only 28% of large practices.

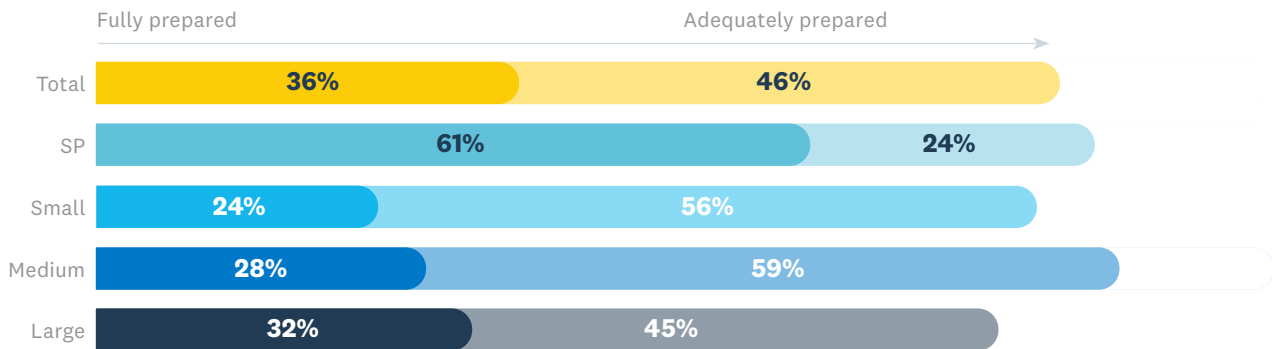
MTD for IT service plans according to practice size



Which best describes how you plan to support and work with clients who are affected by the Making Tax Digital (MTD) for Income Tax initiative? Base: All those excluding “Don’t know enough about MTD for IT” - Total (245), Sole practitioners (54), Small (64), Medium (66), Large (61)

Among those planning to offer MTD for IT services, **practices generally feel well-prepared** ahead of the first wave of MTD for IT in April 2026. In fact, **36% of accountants and bookkeepers feel “fully prepared”, while nearly 46% feel “adequately prepared”** for the transition. This readiness reflects the industry’s proactive stance in adapting to the upcoming changes and ensures practices are poised to support their clients through the shift to digital tax reporting.

Levels of practice preparedness for MTD for IT



How prepared do you feel your practice is ahead of the Making Tax Digital (MTD) for Income Tax initiative being mandated? Base: All those who intend to service their clients in some capacity - Total (222), Sole practitioners (49), Small (55), Medium (58), Large (60)

Regardless of preparation or service model, close collaboration between practices and clients and implementation of the right technology will be crucial to ensuring a smooth transition to MTD for IT. Xero enhances collaboration between clients and their accountants or bookkeepers, helping practices build stronger relationships and deliver high-value advisory services more effectively.

"Firms embracing technology will lead the way with MTD for IT, but it's not just about compliance. Getting clients on software now ensures smooth bookkeeping and helps them engage with their numbers. As accountants and bookkeepers, we also have a great opportunity to provide valuable advisory support—something business owners truly want."



Rosie Berridge,
Director, Accountability Edinburgh



SECTION 4

Looking ahead



Optimism for the future

The majority of accountants and bookkeepers feel positive about the future of their practice

Building on the positive changes seen over the past year:

Optimism meter

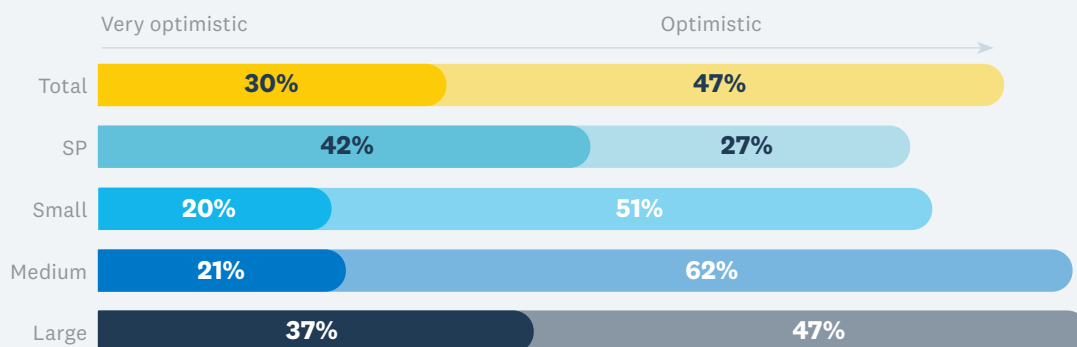


77%

of accountants and bookkeepers express confidence in the future of their practice.



Levels of optimism for the future



Looking ahead to this time next year, which best describes how you feel about the future of your practice?
Base: Total (250) Sole practitioners (55), Small (65), Medium (68), Large (62)

Beyond market confidence and the upcoming implementation of MTD for IT, **technology is a key factor shaping the positive outlook for accounting and bookkeeping practices.** With its ability to boost practice efficiency, drive growth, and strengthen client relationships, technology

can play a central role to long-term success. Practices that have adopted cloud-based software feel more equipped to navigate industry changes and capitalise on the benefits of digital tools.

Nearly a third (**32%**) of cloud users report **feeling very optimistic about the future**, compared to just 25% of desktop users.

Looking ahead to this time next year, which best describes how you feel about the future of your practice?
Base: Cloud users (227), Desktop users (117)

One accountant (medium practice) observes: *“We are very optimistic about our future as we have trained our employees on new accounting and bookkeeping software.”*

As the industry continues to evolve, technology will remain central to practice success. Practices that proactively integrate AI, automation, and

other technological advancements will be best positioned to enhance service delivery, foster stronger client relationships, and drive sustainable growth. As one accountant (medium practice) points out: *“With new financial products, laws, and technologies, the industry is always changing, offering a stimulating and demanding professional path.”*



Conclusion

The accounting and bookkeeping industry thrived over the past year with practices seeing notable growth in key areas such as revenue, profits, and clients. **Practices also made positive changes across the board**, including the adoption of new technologies, streamlining workflows, and strengthening client relationships and services.

Technology, particularly cloud-based software, has been pivotal in driving practice performance and shaping future outlook.

While optimism among accountants and bookkeepers is high, security and data privacy questions are at the forefront of accountants and bookkeepers' minds as technology changes at pace. Addressing these concerns is crucial as the industry continues to digitise and as initiatives like MTD for IT are mandated.

With significant changes to the industry on the horizon, **continued investment in technology and the adoption of integrated software tools will be crucial** for practices to remain competitive and continue providing quality services to their clients. However, this task should not lie on them alone. The industry, ranging from software providers, chartered associations, as well as government and regulatory bodies, has a key role to play in supporting practices through their digital transformation and ensuring they can fully unlock technology's potential.

"It's clear that technological advancements are progressing rapidly. Successful firms in 2025 will embrace these changes both practically and culturally. While the cultural shift may be the hardest to manage, it will have the greatest impact for those firms that can successfully implement it."



Caroline Plumb,
Group CEO, Gravita

”

Methodology

Quantitative survey and sample specifications

We surveyed 250 accountants and bookkeepers who work in a practice within the UK. Responses were collected from a mixture of job roles and individuals with various decision-making responsibilities.

Fieldwork was conducted via an independent online research panel between 18th December, 2024 and 31st January, 2025.

Data is weighted to ensure that each of the four practice sizes makes up 25% of the total sample.

Total = 100%

Sole Practitioners = 25%

Small Practices = 25%

Medium Practices = 25%

Large Practices = 25%



Appendix

Appendix

Revenue Growth Reason

In your opinion, why has your practice experienced an increase in revenue?

Only asked to those who experienced an increase in revenue

Column %	Total n=198	SP n=42	Small n=52	Medium n=55	Large n=49
Increased number of clients	48%	33%	60%	56%	43%
Growing existing client relationships	46%	40%	42%	44%	57%
Optimising existing workflows	35%	45%	33%	29%	33%
Increased our fees	35%	38%	37%	40%	24%
Offered new services to clients	34%	52%	27%	31%	27%
Adopted/switched to new software which resulted in efficiencies/more time to service clients	34%	48%	29%	22%	37%
Portfolio diversification	29%	45%	17%	33%	22%
Increased market visibility through marketing efforts or word of mouth	26%	33%	19%	22%	29%
Geographical expansion	21%	24%	19%	24%	18%
Other	0%	0%	0%	0%	0%
Don't know	1%	0%	0%	0%	2%

Profit Growth Reason

In your opinion, why has your practice experienced an increase in profit?

Only asked to those who experienced an increase in profit

Column %	Total n=186	SP n=36	Small n=47	Medium n=55	Large n=48
Increased number of services we provide	45%	33%	47%	44%	56%
Charging higher margins	42%	61%	43%	35%	31%
Streamlined internal processes	41%	47%	36%	35%	48%
Used software/tools to gain deeper understanding of clients and offer higher value services	38%	58%	38%	27%	31%
Introduced/improved staff training	37%	33%	34%	36%	44%
Experienced better retention of staff	34%	33%	30%	49%	23%
Employed more staff offering different skillsets	33%	33%	23%	40%	35%
Adopted/switched to new software to streamline internal processes	31%	50%	23%	29%	23%
Other	1%	0%	2%	0%	0%
Don't know	1%	0%	0%	0%	2%

Client List Growth Reason

You mentioned that the amount of clients your practice services has increased since this time last year. Please select up to three reasons for this increase.

Only asked to those who experienced an increase in client numbers

Column %	Total n=125	SP n=18*	Small n=38	Medium n=36	Large n=33
Increased efficiencies allowing us to serve more clients	44%	61%	37%	42%	42%
Enhanced marketing efforts/referral programs/word-of-mouth	39%	39%	39%	39%	39%
Increased competitive positioning by offering new services	38%	39%	34%	36%	42%
Strategic partnerships or collaborations	37%	50%	32%	31%	42%
Proactive engagement with lapsed and/or existing clients	31%	28%	26%	42%	27%
Gained new certifications/trainings	30%	33%	34%	31%	21%
Increased practice staff allowing us to service more clients	26%	22%	32%	14%	33%
Clients experiencing an increased need for help as a result of macroeconomic changes	24%	22%	24%	22%	27%
Other	0%	0%	0%	0%	0%

*small base size

Service Groupings

What services does your practice provide to your clients?

Where services buckets are referenced on page 15, practices selected at least one service listed within the overall grouping

Column %	Total n=250	SP n=55	Small n=65	Medium n=68	Large n=62
Bookkeeping					
Record keeping (i.e., keeping and matching bank records, managing documents including proof of purchase, payments and invoices)	51%	55%	45%	60%	44%
Billing and payments	50%	51%	34%	60%	53%
Managing VAT (i.e., prepare, review and file tax returns)	47%	51%	37%	53%	47%
Invoicing and debt collection	37%	40%	23%	44%	42%
Inventory management	34%	40%	17%	49%	31%
Accounts production & Tax					
Managing annual taxes and accounts production (i.e., prepare, review and file accounts and tax returns)	51%	51%	48%	53%	53%
Managing other taxes (i.e., prepare, review and file tax returns)	43%	35%	42%	46%	48%
Payroll					
Payroll processing	47%	55%	45%	44%	45%
Advisory					
Tax planning	53%	45%	55%	62%	50%
Business advisory	46%	56%	46%	37%	44%
Planning and budgeting	45%	45%	37%	43%	53%
Analysing business performance	38%	45%	32%	34%	40%
Internal reporting (i.e., compiling reports on financial and operational information for internal stakeholders such as employees)	36%	42%	28%	28%	48%
External reporting (i.e., compiling reports for external stakeholders such as investors, boards)	34%	51%	23%	22%	40%
Software and app advisory	30%	45%	26%	25%	24%
Other					
Other	1%	2%	3%	0%	0%

Opportunities Ahead

Thinking ahead to the next one to two years, what do you see as the biggest opportunity for the accounting and bookkeeping industry?

Column %	Total n=250	SP n=55	Small n=65	Medium n=68	Large n=62
Advancements in AI	29%	33%	12%	37%	32%
Technological advancements other than AI	14%	9%	11%	9%	27%
More and better ways to engage and collaborate with clients	14%	16%	15%	13%	10%
Greater opportunity to build more effective and integrated tech/app stacks	12%	11%	15%	9%	11%
Expansion of advisory services and strategic consulting	11%	13%	15%	6%	8%
Introduction of Making Tax Digital (MTD) for Income Tax	9%	7%	17%	9%	3%
Expansion of blockchain and cryptocurrency accounting	8%	7%	6%	12%	5%
Other regulatory changes and government mandates	5%	4%	8%	6%	3%
Other	0%	0%	0%	0%	0%

Challenges Ahead

Thinking ahead to the next one to two years, what do you see as the biggest challenge for the accounting and bookkeeping industry?

Column %	Total n=250	SP n=55	Small n=65	Medium n=68	Large n=62
Adapting to technological change	18%	18%	22%	7%	24%
Utilising AI	16%	18%	6%	19%	19%
Competition from providers outside of accounting and bookkeeping firms (e.g., technology companies, banks)	15%	16%	17%	13%	13%
Introduction of Making Tax Digital (MTD) for Income Tax	14%	18%	20%	15%	5%
Recruiting and retaining skilled professionals	13%	7%	8%	19%	16%
Evolving client expectations	12%	13%	17%	10%	10%
Other regulatory changes and government mandates	12%	7%	11%	16%	13%
Other	0%	2%	0%	0%	0%

Increased Efficiency

What has helped to increase efficiency within your practice, if anything?

Column %	Total n=250	SP n=55	Small n=65	Medium n=68	Large n=62
Flexible working	60%	65%	54%	54%	66%
Adopting/switching to cloud based software	44%	51%	37%	47%	42%
Diversifying our skill set	42%	47%	38%	46%	35%
Increasing number of staff	38%	47%	29%	41%	35%
Incorporating integrated end-to-end solutions	34%	42%	31%	28%	35%
Nothing has helped to increase practice efficiency within my practice	2%	2%	5%	1%	2%
Other	0%	0%	2%	0%	0%

Benefits of Efficiency

What benefits, if any, has your practice experienced as a result of being able to run your practice more efficiently?

Only asked to those who said their practice was running more efficiently

Column %	Total n=244	SP n=54	Small n=62	Medium n=67	Large n=61
Greater quality of work	41%	41%	26%	45%	52%
Increase in productivity	39%	37%	39%	42%	38%
Increased practice profit	36%	43%	35%	36%	31%
Improved client relationships	35%	44%	23%	36%	38%
Increased practice revenue	30%	28%	23%	37%	31%
Able to service more clients	30%	35%	32%	25%	26%
Increase in services provided	27%	26%	27%	22%	31%
Greater employee wellbeing/morale	25%	31%	16%	22%	31%
Greater accuracy/less rework needed	24%	15%	27%	27%	26%
More time saved during my work day	24%	30%	18%	18%	30%
Invest in training for employees	23%	26%	15%	28%	23%
Better employee retention	22%	31%	5%	21%	31%
Able to hire more staff	19%	20%	18%	21%	16%
Other	0%	2%	0%	0%	0%

Positive Impacts of MTD for IT

Thinking about your practice, which best describes the impact the Making Tax Digital (MTD) for Income Tax initiative will have? - Positive NET (Very positive + Positive)

Excluding those who don't know enough about MTD

Column %	Total n=245	SP n=54	Small n=64	Medium n=66	Large n=61
Potential to win new clients	82%	83%	81%	83%	79%
Client satisfaction	81%	83%	75%	83%	84%
Internal workflows and systems	77%	74%	78%	76%	82%
Workload	77%	81%	75%	79%	74%
Profitability	75%	76%	72%	74%	79%
Costs related to compliance and software	64%	70%	72%	55%	59%