Focus on

Introduction to Self Assessment

It is a fundamental part of the self assessment system that responsibility lies with you, the taxpayer, to file Tax Returns and pay the right amount of tax, at the right time - you must not wait for the HM Revenue & Customs to ask. Here's our guide to what you need to be aware of.

Tax returns

Tax returns covering income for the year ending 5 April 2015 were issued on or after 6 April 2015, and will consist of a main tax form and backing schedules. Your tax office will send out what they think are the relevant schedules. If you need other schedules you will have to ask for them or you can download them in PDF format. The completed full return has to be submitted to HM Revenue & Customs by 31 October 2015 for the paper return or by 31 January 2016 for the online return.

If you don't want to work out your own tax bill, you must send the tax return in by 30 September 2015. However, you should note that your return must be completed as far as the total income on which tax has to be paid. Figures must be given for every item, even if only estimates. It is not possible to enter question marks or leave the tax inspector to decide whether an item is taxable or not. The only section that can be left for the tax office to complete is the actual calculation of the tax due on your total income.

If you have taxable income or capital gains for 2014/15 and have not received a tax return, you must advise your tax office by 5 October 2015 at the latest. There is a fixed penalty if you fail to do so. There are automatic penalties for late filing of tax returns.

Failure to submit the tax return by 31 January incurs a £100 penalty, even if you have no tax to pay, or you have paid any tax owed on time. After three months, a penalty of £10 is charged for each additional day, up to maximum of £900 for 90 days. Returns that are filed six month late are then charged the highest of £300 or 5 per cent of the tax due, this penalty is repeated again if the return is then filed 12 months late. In serious cases you may be asked to pay 100 per cent of the tax due as a penalty for returns that are 12 months late.

Amendments, investigations and record keeping

You have one year from the filing date to make any amendments to the return. HM Revenue & Customs may correct obvious errors or mistakes within nine months of receipt of the return.

Within a period of one year from the date the tax return was submitted, HM Revenue & Customs will have a right to make enquiries to check that the tax return has been correctly completed. No reason for the enquiry need be given. All records relating to the return should be kept during this one-year period. If trading or rental income is involved, all records should be kept for a further four years.

Determinations

If a return is not submitted by the due date, HM Revenue & Customs can, within five years of the filing date, make an estimate to the best of its information and belief of the amount of tax due. This amount of tax will be payable without appeal, but will automatically be superseded when the return and self assessment are sent in.

Payment of tax

Payments on account of income tax (and Class 4 national insurance contributions) for a particular tax year will be due on 31 January in the tax year and 31 July following the end of the tax year. These payments will be based on one half of the total income tax liability (less any tax deducted at source) for the previous tax year. You have the right to reduce payments on account if you believe the income tax for the current year will be lower than that for the previous year. However, you may be charged interest if the reduction is more than it should be. Payments on account will not be required where each payment works out at less than £500 or where 80 per cent of the tax is collected at source.

Example:

Tax year	Final Liability	Payments on Account	Balance Due
2014/15	£6,400	£5,500	£900
2015/16	£7,200	£6,400	£800
2016/17	£7,800	£7,200	£600

	Amount Due		
Payment Date	On Account	Balance	Total
31 January 2016	£3,200	£900	£4,100
31 July 2016	£3,200	-	£3,200
31 January 2017	£3,600	£800	£4,400
31 July 2017	£3,600	-	£3,600
31 January 2018	£3,900	£600	£4,500

Surcharges and interest

An automatic surcharge of 5% will be levied on any 2014/15 tax outstanding at 28 February 2016 and any 2014/15 tax outstanding at 2 March 2016, and a further surcharge of 5 per cent will apply to any tax still outstanding at 31 July 2016 and 31 July 2016 respectively. There is a right of appeal against the surcharge on the grounds of reasonable excuse. In addition, interest will run on tax (and surcharges and penalties) paid late, from the due date of payment to the actual date of payment. HM Revenue & Customs will pay interest on amounts overpaid, from the date of payment (or the due date if later) to the date of repayment.

Self assessment for employees

For employees, self assessment is not too drastic. The PAYE system means most employees should pay the correct amount of tax at source. An employee with relatively straightforward tax affairs is unlikely to be asked to complete a tax return.

Tax codes

The main cause of under or over payments of PAYE is actual benefits in kind being different from the estimates included in the tax code. If there are under-payments of tax, they may be collected by direct demand or, if modest, carried forward as an adjustment to their tax code for the next tax year, but one. Self assessment allows up to £3,000 to be carried forward in this way, provided HM Revenue & Customs is given all the relevant details by 30 December following the end of the tax year if the return is filed online.

Information deadlines

So that employees can complete their tax returns properly, information deadlines are imposed on employers:

- Forms P60 must be provided to employees by 31 May following the end of the tax year
- Copies of forms P11D and P9D must be provided to relevant employees by 6 July following the end of the tax year
- Form P45 has a part for the employee to retain.

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Information correct as of 10.08.15