

Guide from**CHAPMAN ROBINSON & MOORE**

M A K I N G Y O U R N U M B E R S W O R K

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www.crmoxford.co.uk**A guide to Income tax self-assessment**

Increasing numbers of tax payers are affected by self-assessment, including the self-employed and paid company directors. If you are one of them, there is no need to be concerned. As long as you keep detailed financial records and meet the deadlines for completing the return and paying tax, you should not have a problem.

1. It could be you

Many taxpayers receive a tax return automatically

HMRC should contact you if you:

- are a sole trader or in partnership
- are a company director receiving remuneration or benefits, minister or Lloyd's name or member
- have an annual income over £100,000 or have complicated tax affairs
- have income from savings, investment (over certain thresholds) or property (in excess of £10,000 before deducting allowable expenses or £2,500 after deducting allowable expenses)
- need to claim expenses or reliefs in excess of £2,500
- receive (or your partner receives) child benefit and your income is over £50,000
- are a higher rate taxpayer with other income that needs to be taxed at the higher rate
- are a taxpayer who receives untaxed income.

You may need to register for self-assessment

It is your responsibility to ask for a tax return if you have income or profits to declare, even if HMRC has not sent you a return.

You must notify HMRC within six months of the end of the tax year (ie by 5 October) if:

- you received any untaxed income during the tax year
- you need to pay tax at a higher rate on income (such as interest or dividends) that has been taxed at a lower rate
- you sold assets (eg land, investments or a business) and may need to pay capital gains tax (see 'The return').

Many people do not need to complete a self-assessment return

- An employee who pays tax through the PAYE system and has no other source of income is unlikely to need to submit a tax return.
- If you only want your tax allowances adjusted, or want to reclaim tax on savings or investments, you may be able to do this without completing a tax return.
- From April 2017, you can earn up to £1,000 from selling goods or providing services and earn up to £1,000 from property you own without paying tax.

Most tax returns are filed online

- You can use the free HMRC self-assessment tool or commercial software, or you can file a paper return instead.
- You should make sure you complete all the necessary pages.
- Once you have filed a self-assessment tax return online, HMRC will send you a notification each year rather than the self-assessment forms.

2. Your obligations

HMRC must receive your tax return by the fixed filing date

- The 'fixed filing date' for online submissions is 31 January, or 30 December if you owe less than £3,000 and want HMRC to collect the tax due by reducing your PAYE code for the next year.
- The deadline for paper tax returns is 31 October but you should allow a few days for postal delays.
- If you return your completed form online, HMRC will calculate any tax due automatically and inform you of the amount immediately.
- If you fail to submit your tax return on time, you will incur a fine of £100. There are additional fines for returns that are filed more than three months late and the fines increase again after six and 12 months if still not submitted.

You must pay your tax on time

- See 'When is the tax due'?

You must keep detailed records to support the information in your tax return

- The self-employed, those in partnership and those who let property must keep records for five years after the filing deadline.
- If you are not running a business, you are normally required to keep records for a year after the filing deadline.
- If you fail to keep adequate records, you can be fined.

When is the tax due?

There are two tax payment dates in the year: 31 January and 31 July.

If you are an employee, you may only need to make one payment

- Payment is due by 31 January (10 months after the end of the tax year).
- This will be any tax you owe after taking into account the tax already deducted from your salary under PAYE.
- If you owe less than £3,000 and submit your return by 30 December online, the tax can be collected from your salary under PAYE.

If you are self-employed or owe additional tax, you usually make two payments 'on account'

- These are based on your profits for the previous year.
- The first has to be paid by 31 January, before the end of the current tax year. The second, by 31 July, is after the end of the tax year.
- Any outstanding balance must then be paid by the following 31 January.

Interest and penalties are charged on late payments

- A 5% surcharge will be charged on any outstanding tax remaining unpaid after 30 days.
- A further 5% surcharge will be charged on any outstanding tax remaining unpaid after six months.
- An additional 5% if the tax is unpaid after 12 months.

3. The return

Tax returns vary in length as they are tailored to each individual's circumstances

- HMRC's self-assessment online service tailors the return to your personal circumstances based on answers to a few simple questions so you only have to answer the questions relevant to you.
- If you complete a paper return, you must request any additional pages you require.

Everyone must fill in the main section of the tax return

This covers:

- income from savings and investments
- pensions
- tax allowances and tax reliefs
- state benefits.

You must also complete the sections covering your types of income and gains

You may need to complete:

- employment section, for each job where you were an employee
- self-employment, if you were a sole trader (not in partnership) or had self-employed income in addition to your main job (eg freelance or consultancy earnings)
- partnerships, if you had partnership income; one partner also needs to complete a partnership return
- UK property, if you received rental income
- foreign, if you had income from overseas investments, pensions, benefits and rents. You do not need to complete this form for overseas employment, unless you have been taxed both overseas and in the UK and want to reclaim tax.
- trusts, if you received income from a trust fund or have set one up
- capital gains, if you disposed of assets and the gains were over £11,300 (2016/17) or the total proceeds were more than four times this amount. You do not normally need to

complete this form for private possessions, such as your main home or private cars, unless they were used for business.

- residence, remittance basis, if you lived or worked abroad during the tax year.

4. Record-keeping

Before completing your tax return, it is essential that you gather all the information you need.

Employment

You can copy most of the information required from documents given to you by your employer.

These include:

- Your P60 showing how much income tax and National Insurance you have paid during the tax year. Your employer should give this to you by 31 May following the end of the tax year on 5 April.
- Your P11D or P9D, if you receive any employee benefits or expenses. Your employer should give you this by 6 July.
- Your P45 (Part 1A), if you left employment during the tax year.

Self-employment or partnership

You will need:

- details of income and expenses during your last accounting year
- profit and loss accounts; you will also want a copy of the previous year's accounts for reference
- copies of your 'statement of account' forms, showing you how much tax you have already paid
- your balance sheet (if you have one; if you do not have a balance sheet, you can leave this section of your tax return blank).

Savings and investments

You will need:

- bank and building society passbooks and statements; ask for a 'certificate of tax deducted' for each account that pays interest net of tax
- annual investment statements from unit trust and investment trust companies; ISAs do not need to be declared on your tax return
- share dividend tax vouchers.

Personal pension plan

- If you contribute to a personal pension plan, you will need your annual contribution statement from your plan provider.

5. Completing the return

Collect all your tax return forms, guidance notes and paperwork before you start to complete the return either online or on paper.

Complete the return online

- The HMRC self-assessment online service will tailor the return to you so you only have to answer questions relevant to you.
- Software will allow you to enter, change, delete and save any entries, so you can review the data before you finalise the return for submission. You can also print or keep a copy for your records.
- Only include income and gains during the tax year – from 6 April to 5 April – unless asked to do otherwise.
- Once you are happy with your return, submit it online. You will be sent a receipt for your records.
- The software will produce a tax calculation giving details of the amounts due and the dates for the payments.

Complete a paper return

- Write in pencil so you can make corrections. Once you are happy, complete the return in ink.
- If you are unsure about an answer, give as much extra detail as possible. This may help you avoid an enquiry.
- Check your tax return before sending it off. Make sure that you sign the return (this is one of the most common mistakes) and include all the paperwork you have been asked for.
- Use registered post to track of your return.

Wait for HMRC to respond

HMRC will:

- check for mistakes and then send you a new tax calculation if necessary
- calculate your tax bill (if you have not done this already)
- notify you if it plans to enquire into your return.

You can change your tax return if you realise you have made a mistake

- You can update the return within 12 months of the fixed filing date.
- If you want to change mistakes later than this, you must contact HMRC.

The government is launching personal tax accounts

- All small businesses and personal tax payers will have their own account from April 2016.
- The accounts will allow people to see their tax transactions across the range of business taxes including self-assessment, corporation tax, VAT and PAYE for employers and to make payments online at any time.
- Eventually this will remove the need for an annual confirmation.

You must pay any tax owing by 31 January even if you do not receive a demand

- From April 2018, it will be possible for those who keep their records digitally and who submit regular digital updates to HMRC to pay tax on a 'pay-as-you-go' basis.

6. Getting help

Half of all taxpayers complete their returns without professional help

- If you are an employee, filling in your tax return is usually straightforward. Provided you have the correct information, it may take no longer than a weekend.

Make the most of HMRC advice and online services

- Consider using the HMRC self-assessment online service to file your return. It is secure and will calculate your tax automatically.
- Use the guidance notes sent with your tax return.
- Ring the self-assessment helpline (0300 200 3310) and ask for free HMRC helpsheets which explain different aspects of tax and give further information on how to complete your tax return.

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