

Tax Returns



This newsletter is to help you and your personal tax planning.

2009/10

Staying on top of self-assessment

The self-assessment system puts the onus on the taxpayer to fully declare all income and claim any appropriate reliefs. Directors, higher rate taxpayers and anyone whose income includes amounts not subject to a tax deduction are almost certain to have to file a Tax Return.

It is always better to pay the right amount of tax than to overpay and reclaim the overpayment later, especially as HMRC will pay little or no interest on money owed to taxpayers. Clearly, it is a priority to get your self-assessment return in as early as possible and reclaim any refund you are owed. Staying ahead of your obligations pays whether you owe tax or are due a refund from the taxman.

See overleaf for our self assessment update.



2009/10 key dates

31 October 2009

Last filing date for 2009 paper tax return.

31 January 2010

2008/09 balancing payment, and
 2009/10 first payment on account.

Last filing date for 2009 online 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 £2,000 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.



For some, the self-assessment process can be particularly stressful. Call us to find out how we can help.

Staying on top of self-assessment

The following should help:

When, where and how

Paper tax returns must be submitted to HMRC by 31 October. If you prefer to file online, you have until the following 31 January. This is the deadline for the balancing payment of tax in respect of the previous tax year and the first payment on account for the current tax year. You are required to make payments on account where the total tax due is more than £1,000. The second payment on account should be made by 31 July. It is possible to ask for these payments to be reduced where you have good reason to believe that your actual income tax liability is less than that in the previous tax year, but interest will apply if you reduce them incorrectly.

HMRC does not acknowledge receipt of paper tax returns, and its online filing system has been known to prove erratic at high volumes of traffic, such as often occurs near the filing deadline. As accountants we can ensure your return is filed on time. There is an automatic penalty of typically £100 for late returns, with further delays attracting extra penalties. In extreme cases these can reach £60 per day. If returns are not received HMRC has five years in which it is entitled to estimate the tax due, which will become payable without appeal (this figure will be superseded once the return is eventually received).

Late payment

There is a 5% surcharge on any 2008/09 tax outstanding by 28 February 2010, and a further 5% for that outstanding by the following 31 July, although appeal is possible if you have a reasonable excuse. There will also be interest payable on the period between the due date and date of payment.

Amendments, enquiries and documentation

You have a one year window from the January filing deadline to make any further amendments to your return (provided the return is filed on time), although obvious mistakes may be spotted and corrected by HMRC, which will notify you within nine months. The taxman can make enquiries about any tax return they are sent without providing a reason, and you are required to keep all records relating to the return for one year. Taxpayers with trading or rental income need to keep records for the last six years.



Peace of mind

For some, the self-assessment process can be particularly stressful. HMRC has greater legal powers than ever before and it has never been more important to make full and proper disclosures in your tax returns, maintain good records, and understand your legal rights. As your professional advisers we can assist you in all these matters. If you have been contacted directly by HMRC about your tax affairs you should contact us immediately.

As your professional advisers...

The Information for Finance Professionals estimated that in 2006 876,000 self-assessment forms were received after the January deadline, the vast majority of them incurring the £100 penalty. Reports confirm that HMRC benefitted from an extra £463 million that year in fines generated by late returns, miscalculations and surcharges on unpaid tax. We can help ensure that when the time comes, your money won't contribute to that figure. We use our up-to-the-minute expertise to minimise your tax liability in the first instance. Acting as your agent, we deal directly with HMRC on your behalf, even if you are selected for a self-assessment enquiry.



Despite its name, self-assessment is best left to professional experts. To discuss your self-assessment further, you need only call.