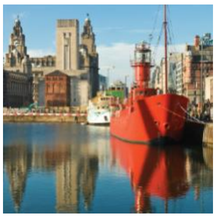
Self-assessment

A guide for clients



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How and when to complete your self-assessment tax return.

HMRC uses self-assessment to collect tax from individuals who run their own businesses or if they receive income that is not taxed through PAYE.

The individuals who have to submit a self-assessment tax return fall into a number of diverse circumstances including:

- being self-employed
- having savings or investment income above £10,000 before tax
- receiving £2,500 or more in untaxed income (for example renting out property)
- being liable for capital gains tax
- being a company director (unless it was for a not for profit-organisation or charity and you were unpaid and did not receive any benefits from the organisation).

We can help you understand whether you need to complete a self-assessment tax return.

Deadlines

There are 4 deadlines to remember when preparing to submit your self-assessment tax return and pay tax.

Task	Deadline
Registration	5 October
Paper returns	Midnight 31 October
Online returns	Midnight 31 January
Tax payment	Midnight 31 January

Keeping records

Whether you are self-employed, a company director, a landlord or fall into any of the other categories requiring a self-assessment tax return, keeping accurate and up to date records is important.

HMRC can ask to see relevant documentation if they check your tax return, and inaccurate or incomplete records can be subject to a penalty. Having all your details close to hand will also make completing your tax return much more straightforward.

If some or all of your financial records are lost or destroyed obtain duplicates from relevant parties. If you cannot obtain duplicate documents for all your figures use the 'any other information' box on the tax return to indicate that you have provided estimated or provisional figures.

Provisional figures mean that you will be able to obtain the paperwork to verify them. Estimated figures are figures where you will not be able to provide supporting documentation.

If you are self-employed you must keep your records for 5 years after the 31 January deadline of each tax year. If you are not self-employed you should keep your records for 22 months after the deadline and 15 months if you file your tax return after the deadline.

We can advise on setting up accurate record-keeping.

What financial records should you keep?

Anyone registered as self-employed should keep records of all business expenses, all sales and/or income, PAYE records if applicable, VAT records if registered and records about your personal income.

If you are employed or a limited company director you should keep:

- your P45
- your P60
- your P11D
- certificates from a Taxed Award Scheme
- information about any redundancy payments.

You should also keep records, if relevant, of tips, additional benefits such as meal vouchers, income from employee share schemes and any lump sum or incentive payments not included on a P60 or P45.

Investments, savings and pension records

You should also retain bank statements, statements of interest, bank tax deduction statements, dividend vouchers, unit trust tax vouchers, information on income from a trust, and information on any other income.

If you have a pension you should keep form P160 (Part 1A), form P60 which your pension provider will send annually, and any other pension details (including the state pension) and the tax deducted.

Allowable expenses

Allowable expenses are payments which you have made which can be deducted against tax. A significant number of business expenses can be set against tax. When completing a self-assessment return some of the items you can claim against include:

- vehicle running costs
- mileage
- business premises running costs including utilities, phone and internet
- salaries and wages
- capital assets purchased solely for the use of the business such as tools, IT equipment and software
- training courses solely for the benefit of your business.

The rules on allowable expenses are stringent. Consult an accountant if you are unsure whether you can claim for a particular expense.

Self-assessment in 5 steps

1. Register your business with HMRC. This can be done online using the self-assessment portal on the HMRC website. HMRC will send you a tax reference number referred to as a UTR which you'll need for correspondence. You do not have to register every year.
2. Collect all the information you need to complete the form.
3. Fill in and complete the form. If you are submitting your return online, log into the HMRC self-assessment page and copy all of the relevant financial details requested into the form.
4. File the form. You will then be sent the amount of tax due to HMRC.
5. Pay HMRC.

How to pay

You can pay your tax bill over the phone, online, or send a cheque in the post.

Payments on account are advance payments towards your tax bill. Each payment is half your previous year's tax bill. Payments are due by midnight on 31 January and 31 July.

If there is more tax to pay after making payments on account, a 'balancing payment' must be made by midnight on 31 January the next year.

Penalties and appeals

Submitting your tax return late will mean that you are subject to a penalty charge. A penalty of £100 is applicable if a return is up to 3 months late and penalties will increase if the return is even later, or if your tax payment is late.

You can appeal against a penalty levied by HMRC if you have a reasonable excuse for late filing or payment, keeping inaccurate records or not paying enough tax.

What may be considered a reasonable excuse includes:

- death of a partner or close relative just prior to the deadline
- serious illness
- an emergency hospital stay
- an IT failure (hardware or software) when you were preparing or just before you were preparing your return
- unexpected delays in the post
- fire, flood or theft which prevented you from completing a return
- problems with HMRC's online service.

We can assist you with any aspect of self-assessment.

Online vs paper tax returns

Taxpayers have a choice over whether they submit via paper or HMRC's online services. There are several advantages to filing online which make the process more intuitive for those who are less familiar with tax returns:

- online filers submit their returns 3 months later than those using paper
- your tax will be automatically calculated as you work your way through the form
- if HMRC owes you money, you will get it repaid faster if you filed using online services
- online tax forms will automatically fill in personal information already held by HMRC, saving you time.

It is important to note though that HMRC plans to move over to a fully online, digital tax account system by 2020. Whether this means the end of the paper tax return is unclear at this point.

Hints and tips

Depending on how you go about it, self-assessment has the ability to be either a pleasant or traumatic experience. By anticipating the potential pitfalls, you'll make the process easier.

Know your Unique Taxpayer Reference number
HMRC will have sent your Unique Taxpayer Reference (UTR) number when you first registered for self-assessment. You won't be able to file your return without your UTR so it's imperative you keep it safe and secure.

In case of loss, you will need to contact HMRC and wait several days to receive a new one through the post.

Leaving self-assessment until the last minute only to realise you've lost your UTR will inevitably result in a late submission.

Know your dates
Your tax return is for the 2014/15 financial year so it is essential to include all the income and expenditure between 6 April 2014 and 5 April 2015.

As far as invoicing is concerned, it's the date of issue that matters, not the date of payment.

If you sent an invoice in the 2014/15 tax year but received payment after 6 April 2015, you still need to include it on your return.

Check everything
Check your form carefully to make sure your figures are correct and that you haven't missed any important information. The smallest of mistakes could result in HMRC rejecting your return and issuing a penalty.

Use accounting software
Improving technology is fundamentally changing the way people handle their tax affairs. Purchasing bookkeeping software could help you organise your documents and calculate your income and expenditure.

Pay your tax

While this may sound obvious, it is surprisingly easy to forget – for first-timers especially. After digesting all of the rules surrounding self-assessment and then going through the painstaking process of collecting paperwork, doing calculations and filling out the form accurately, many people simply forget to pay their tax at the end of it all.

Remember, the 31 January deadline is not just for tax returns but for tax payment too.

Get expert help

Call us if you're still concerned about self-assessment. We will ensure that your calculations are correct, your tax is paid and your return is submitted on time and error-free.

Contact us to discuss how we can help you.

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