

# IN-Formed: Guide to Self Assessment Tax Returns



## How do I know if I need to register for self-assessment?

Many people make the mistake of thinking that only self employed people need to register for self-assessment.

This is not the case - you **MUST** register for and complete a tax return if you are:

- a self-employed sole trader
- in a business partnership
- a company director
- earning over £100,000 per year in combined income
- have crystallised capital gains
- have income from a trust
- in receipt of age related personal allowance, but your income exceeds £27,000 per annum
- a higher rate tax payer in receipt of investment income greater than £1,000 per year
- if you own a rental property
- in receipt of any other income that is not taxed at source, such as royalties, cash payments, foreign pensions amongst others

- earning more than £50,000 and continuing to receive Child Benefit
- in receipt of more than £300 foreign income in any form
- have exceeded your annual or lifetime allowance for pension contributions

**Please be aware also that you must still complete and submit a form, even if you do not owe any tax!**

## What are the deadlines for submitting my tax return?

The financial year for self-assessment runs from April 6th until April 5th, with the deadline for submission of returns online being the following 31st January.

So, for example the looming deadline of 31st January 2015 is for submission of self-assessment tax returns for the period April 6th 2013-April 5th 2014.

If you prefer to submit a paper tax return, the deadline for this is the October preceeding the January deadline. It is likely however that HMRC will phase out paper filing as an option, and with this in mind we recommend that you use their online system from your earliest opportunity.

Please note that if you are a sole trader or in a business partnership and your business year end falls within this period, then it will be accounted for in your January tax submission.

## What happens if I miss the deadline?

You will be fined £100 immediately, and may be subject to additional penalties if you delay further. These can mount up to a total of £1,000!

Please note, that in 2012 HMRC closed the loophole which previously allowed for no penalty for late returns if there was no tax liability.

### Key Deadlines 2014-15 at a glance



- 31 December 2014: Submission deadline for payment via your tax code
- 31 January 2015: Submit your tax return online
- 31 January 2015: Pay any tax owed from 2013-14 and your first payment on account for 2014-15
- 31 July 2015: Your second payment on account for 2014-15 is due
- 31 October 2015: Paper filing deadline for submission of 2014-15 tax return



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## What are the deadlines for paying my tax bill?

There are three key deadlines for paying any tax that you owe:

- 31st December is the last date for submission of your tax return if you wish to pay your tax via your tax code rather than as a lump sum.
- 31st January is the deadline to pay any tax owing from the previous year, and to make your first payment on account for the following year.
- 31st July is when your second payment on account is due for the year just ended.

## What is a payment on account?

Payments on account are HMRC's way of keeping on top of their cash flow and getting ahead.

Basically, they ask you to pay in advance towards your tax bill for the following year.

Both first and second payments are calculated as half of your previous year's tax bill.

This means that for example should your business profits decrease dramatically you may end up paying too much tax up front.

Conversely, if you have a substantial upturn in your profits, you could end up with a large balance to pay.

## What are my payment options?

As an alternative to payments on account, you can choose to pay in instalments throughout the year. This will still have you paying in advance, but works well for some as it allows you to ease the cashflow situation and spread your payments equally through the year.

If you wish to do this you will need to contact HMRC and set up a budget payment plan with them.

Any overpayments will still be calculated and refunded in July.

There are various ways in which you can make your payment to HMRC, including:

- by post
- online
- at the bank
- at the Post Office
- by direct debit

In some circumstances you can also pay through your PAYE code, which effectively gives you an interest free loan from the tax man, as the first payment only falls due three months after the lump sum deadline, and the liability is split equally over 12 months or 52 weeks.

Please remember that the HMRC payment deadline is the LATEST date that the cleared funds should be received into their account. This means that it is your responsibility to take into account how long it will take for your money to arrive in their account in order to avoid paying either a penalty or interest on late payment.

## What happens if I don't pay?

HMRC will impose surcharges of 5% and interest on all late paid tax.

Additionally, they will take action to enforce payment of any money you owe, including:

- deducting the monies owed from your earnings or pension
- using third party debt collection agencies
- closing down your business
- court action
- making you bankrupt

If you do find yourself struggling to pay a tax bill, you can avoid such enforcement action by proactively approaching HMRC and agreeing a repayment plan with them, often referred to as a 'time to pay' arrangement.

### Remember!

Submitting a self-assessment tax return can be both complicated and time consuming.

With our in house expertise we can take away your stress, and ensure that you make all the relevant claims to which you are entitled, thereby making sure that you pay the minimum amount of tax possible, while staying firmly on the right side of the law.

94% of our clients' returns are filed far in advance of the January deadline, giving them confidence and peace of mind to enjoy their Christmas and New Year with family and friends.



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