Self Assessment
Overview

The Self-Assessment system was set up in the 1990s to collect tax from: -

- The Self Employed.
- Business Partners.
- 40% taxpayers, and those claiming more than £2500 per year in expenses.
- Tax payers leasing property and having rental income.
- Directors of companies.
- Persons with a capital gain or loss during the year.
- Persons with a taxable foreign income.
- Anyone over 65 with an annual income >£100,000 or investment income >£10,000.

The aim of the Self Assessment system is to collect the tax owed across 2 payment dates (January and July), and to collect half of the next year's estimated tax liability within the first of these payments (January).

Self Assessments are issued soon after the end of the old tax year, and should all have been received by the end of April.

Self Assessments returned before 30th September will have the tax calculated for the individual, and where the client has a coding notice, any tax owed can be added to the code for the next tax year.

Paper based self assessments must be returned by end January following the year of issue, and the tax must be calculated and paid by the same date. Where the form is filed via the internet, deadline is 31st December if the client wishes any unpaid tax to be applied to a PAYE Coding.

Failure to return a self assessment by 31st January of the year following issue will result in a fine of £100, and another £100 if the return has not received by 31st July. The £100 fines will continue to be levied 6 monthly until the return and tax payments are made. Interest will be charged on the amount of tax assessed across the period it was due (currently 7.5% plus a 5% surcharge on any tax unpaid).

There are 2 formats: -

- Standard format, which is generally issued to the self employed and those with more complicated tax computations. Supplementary pages are added for additional taxable income such as partnerships, leases and capital gains.
- Short form, which is 4 pages long and is issued to those with only limited tax computations, where the majority of the tax paid is PAYE based.

Recently tax offices have been writing to those clients that have small payments or tax repayments, informing them that they are no longer required to fill in a Self Assessment form.

Where the client has a substantial refund to claim, this used to be offset by tax due. The tax due is often taken through the PAYE coding, and so, by not asking for a self-assessment the client may be worse off, as they are not able to reclaim for expenses. It is important in all cases to review each situation, and where tax or expenses have been reclaimed, there are alternatives forms that can be completed to ensure that tax is repaid.

The Government is promoting on line filing, and there are a number of distinct advantages: -

- The service is free.
- The service allows the agent or client to fill a return in over time and store the return online until it is ready to send.
- The service will calculate the tax liability or repayment.
- The service allows a self-assessment to be filed up to 30th December and will still add any tax owed (under £2000) to the PAYE coding.
- Any repayments due will be sent more quickly.
- There is an online receipt that the return has been received.

An essential part of the Agent tool kit is the Self Assessment Tax Return Guide, which is ordered through the Order line, and gives full details of each and every form and contains all the Help Sheets. Although all the details within the guide can also be found on the Inland Revenue website, it is still often easier to refer to a paper copy when working.

Where a Tax Return has not been issued, or a duplicate is needed, then the appropriate tax office will need to be contacted. It should be issued within 2 weeks of the request.

There are a considerable number of supplementary pages. Existing clients, who have previously filed a return, will have these pages as part of the document. For new clients or where client details have changed, additional pages will have to be ordered or downloaded from Forms and Guidance: -

http://www.hmrc.gov.uk/agents/forms.htm

Always use the forms that relate to the correct tax year as there are often changes between one tax year and the next.

Another useful area to find additional information is: -

http://www.hmrc.gov.uk/sa/formgloss.htm

This Glossary gives details of what many of the forms are, and also copies of some of the key ones.

Where a client requires forms from previous tax years, these can be downloaded from: -

http://www.hmrc.gov.uk/sa/forms/content.htm

Make sure the correct form has been down loaded and that a UK client has not received a Welsh or Scottish form or supplementary page.