HMRC send a statement of account – quite like a credit card statement – as each due date approaches to show what has been settled and what is coming up. If you don't file a return at all, HMRC may estimate the amount you owe and demand it. The only way of disputing their figure is to submit your own – so they are likely to guess high to make the taxpayer act.

Is that all?

HMRC rely on taxpayers to do a great deal of work under SA, but they don't trust them absolutely. Once you have filed your 2009/10 tax return, they can "open an enquiry" into it up to 12 months after they receive it from you (they get even longer if you file it late). That can range from asking about one particular figure to launching an in-depth investigation into the taxpayer's finances. Even after that date, they can still ask for more tax if they find something out that suggests there was an underpayment.

How we can help

For someone moving from employment to SA, the whole system can be confusing and intimidating. Knowing what your responsibilities are – on pain of penalties and interest – is difficult. Trying to match up tax payments with different years can be tricky. If you don't know what the detailed rules are for all those boxes on the tax return, you may end up paying too little tax and get in trouble – or you may end up paying too much! We are here to help with every aspect of SA, from letting you know what is required, through filing the returns and checking Revenue statements to dealing with any enquiries that may arise. "Self" assessment doesn't mean you have to do it on your own!

OUR SERVICES

Taxation

- Income tax
- Business tax
- Corporation tax
- Value Added Tax
- PAYE and National Insurance
- Capital taxes (including Capital Gains and Inheritance Tax)
- Estate planning
- Tax investigation advice & assistance
- Construction Industry Scheme

Accountancy

- Financial accounts
- Monthly management accounts
- Budgets and cashflow projections
- Book-keeping services
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- Comprehensive start-up service
- Financial management
- Cost benefit analysis
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Self Assessment

ASTONS
BUSINESS, TAXATION & FORENSIC ACCOUNTANTS

2010–2011 GUIDE TO

Self Assessment

PAYE or DIY?

When you work as an employee for someone else, your tax is usually dealt with by them under Pay As You Earn – they work it out, take it off your pay before you see it, and send it to HM Revenue & Customs. Most employees don't have to fill in a tax return or deal directly with the taxman.

That all changes if you start up your own business, or if you acquire a source of income on which the tax isn't paid before you receive it – that's how most small savers pay their tax on interest and dividends, but if you receive rent, you have to pay the tax on that yourself.

You will enter the world of "self assessment" (SA) – the name implies that you can do it yourself, but it's not easy. Many people use a professional to reduce the pain of dealing with the paperwork.

Where do I begin?

To start with, you have to tell HMRC to put you in the system. You have to tell them:

- within 3 months of the end of the month, if you start a business;
- by 5 October after the end of the tax year, if you have tax to pay on any other source.

If you miss these deadlines, HMRC may charge you a penalty – or you may simply fail to pay your tax on time, in which case you will pay interest.

Example

Kim starts a business on 10 January 2010. She needs to tell HMRC by 30 April 2010.

Alex buys a buy-to-let property with a sitting tenant on 10 January 2010. If he doesn't already fill in a tax return, he needs to ask for one by 5 October 2010.

In and out

Sometimes HMRC decide a taxpayer can be dealt with only under PAYE and take them out of SA. It's then up to that person to notice if they should go back into SA again – if there's tax to pay.

Many happy returns

Once you are in the SA system, you will be sent a notice to file a tax return each year, usually shortly after 5 April. You have to file your information by 31 January after the year end (e.g. 31 January 2011 for the tax year to 5 April 2010). Many people can file their return online using the Revenue's website, but this does not suit everyone. The Revenue are keen on online filing – if you want to send in a traditional paper return, the deadline is brought forward by 3 months to 31 October. If you miss that date, you must file online or pay a late filing penalty.

You also have to pay outstanding tax on 31 January (whichever way you file). If you only send in the return at the last moment, obviously HMRC won't be able to work out how much you owe and ask for it in time – you will have to do that yourself. They promise to work out the tax and tell you if you send the return in on paper by 31 October.

You will enter the world of "self assessment" – the name implies you can do it yourself, but it's not easy.

The return can be a daunting document, with hundreds of boxes for different types of income – interest, dividends, salary, business profits, rent and so on – and deductions such as pension contributions, gifts to charity and business expenses.

Paying up

For the first year of SA, you have to pay the outstanding tax on 31 January (even if you send in the return earlier). For later years, you make "payments on account" (POA) of half the previous year's SA tax on 31 January and 31 July, with the balance due on 31 January following.

Example

James has to fill in a SA tax return for the first time for 2009/10. He has a total tax liability of £10,000, of which he has already paid £3,000 under PAYE and by deduction on interest.

He will have to pay:

- on 31 January 2011: the balance of £7,000 for 2009/10 and a POA of £3,500 for 2010/11;
- on 31 July 2011: the second POA of £3,500 for 2010/11.

On 31 January 2012, he will settle up the SA tax for 2010/11 and pay a POA for 2011/12.

And if I don't?

If you are late filing your return, you suffer a penalty of £100 (or the outstanding tax, if less). If you are a month late there is a surcharge of another 5% of the tax to pay – it's generally cheaper to borrow the money to pay the taxman. If you are late with any payment of tax, you are charged interest.