





# YOU AND YOUR TAX RETURN

We run through the basics of self assessment, give tips on how to fill out a tax return, and remind you of important deadlines

The ten-page, self-assessment tax return form asks for information on income from savings, investments, state benefits and pensions, as well as tax-allowable deductions and allowances and reliefs that apply to you for the tax year 6 April 2004 to 5 April 2005.

## WHO GETS ONE?

Around 9.5 million people currently have to complete a self-assessment tax return, though this number is set to drop in future. The main groups affected are: the self-employed; company directors; most people who receive rental income; business partners; people who receive taxable foreign income; and trustees and some personal representatives. You may also have to fill out a tax return if you've made a capital gain or loss during the year.

Employees and anyone over 65 have to fill out a tax return if: their annual income is more than £100,000; they're claiming £2,500-plus a year in expenses; they have annual investment income of £10,000 or more; or they receive untaxed income of £2,500 or more a year. People who are over 65 and receiving some (though not all) age-related personal or married couple's allowance will have to fill out a tax return even if none of these criteria applies.

For full details of who has to fill out a tax return, see Inland Revenue booklet SA/BK8 *Self-assessment: your guide*. Other people may also be sent a return and, if you don't have to fill one in, you can still ask for one, as our case study Stephen Payne did (see 'Requesting a return has advantages', opposite).

## SUPPLEMENTARY PAGES

If you have income only from pensions, state benefits and savings and investments, the basic tax return will be all you need. But if you have other types of income or capital gains, you may also have to complete supplementary pages.

Page two of the standard return lists the supplementary pages. Everyone should read through this and tick the boxes that apply. It is your responsibility to check you have the correct pages and apply for them if you don't receive them automatically. You can order any supplementary pages (and accompanying helpsheets) from the Inland Revenue on 0845 9000 404.

You should complete any supplementary pages first and then complete the rest of the return.

## FILLING OUT THE FORM

If a box applies to you, you must complete it – don't just write 'see accounts' or 'see P60' and so on. Check the Revenue's tax return guide (SA150) and other guidance first, but, if you are still unsure, get help from your tax office or a tax enquiry centre. If these are closed, you can contact the Revenue's self-assessment helpline on 0845 9000 444 for general advice. The helpline is open in the evenings and at weekends.

Where the form asks for details of income, round down each total to the nearest pound – so for £12.95, enter £12. If an entry in a particular box requires income and credits from various sources to be added together, it is the total figure that should be rounded down. For outgoings, round up the figure in each section to the nearest pound – so for £387.01, enter £388. You should also round up tax credits and tax deductions.

Keep a note of your entries, or photocopy the form before sending it back, or print out a copy if you file online. Your tax office won't accept a photocopy of your completed tax return but will accept a photocopy of the form itself, provided that you write your answers on the blank copy and also sign it.

## FILING YOUR TAX RETURN

The final date for filing a tax return (whether on paper or online) without penalty is 31 January following the end of the tax year – so 31 January 2006 for the tax year ending on 5 April 2005. (31 January is also the deadline for paying any tax due.) However, if you want the Inland Revenue

to calculate your tax, you need to submit your return by 30 September 2005. You can still ask the Revenue to calculate your tax for you if you miss this deadline but it won't guarantee to have worked out your tax by 31 January, and you could incur penalties. Even if you use a tax adviser or accountant, you're responsible for making sure your tax return is accurate and that the Revenue receives it in time.

## FILING ONLINE

More time to submit your return and speedier refunds...it's no surprise that an increasing number of people are filing online: 1.6 million returns had been filed online for the 2003-2004 tax year by the filing deadline at midnight on 31 January 2005, compared with 708,345 filed for the whole year to 5 April 2004.

### How it works

You need to register at the Revenue's website ([www.inlandrevenue.gov.uk](http://www.inlandrevenue.gov.uk)). You'll be sent a user ID and activation Pin number by post. The activation Pin number is valid for 28 days from the date shown on the accompanying letter. If you don't activate your account within 28 days, you'll have to register again. With the Revenue's software, you have to wait until you've activated your account before you can fill in your tax return. With other software, you can fill in your tax return before you get your Pin number. But you'll have to activate your account before you can file online.

You'll get a secure mailbox to access any messages from the Revenue. You can customise this to alert your usual email address or mobile phone number if anything is received, to avoid you having to check regularly for any messages.

## NEW INCOME

If you don't receive a tax return and you start to receive new untaxed income, you must tell the Revenue by 5 October following the end of the tax year.

If you do receive a return and have new income during the tax year that your tax office doesn't know about (if you start letting a property during the tax year, for instance), you won't necessarily receive the correct pages. It is your responsibility to ensure you have all the forms you need.

You can't use the online service to correct a return you have already sent back for the 2004-2005 tax year. If you've filed online once, you may not receive a paper version in future, just a 'notice to complete' a return.

### Faster service

When you submit a tax return online, your tax is calculated automatically so you can delay filing your return past 30 September. However, if you owe tax of less than £2,000 and you want it collected by PAYE, the deadline is 30 December 2005. You also get an instant, on-screen message confirming receipt. The Revenue claims it's easier to process returns filed by internet, so you could get any repayment more quickly. You can also use the online service to view statements of account.

Stephen Payne (below, left) can testify to the advantages of online filing. He has filed online for five years and is delighted with the service. He told us that he likes having his tax calculated

## You should get any repayments more quickly by filing online

automatically and getting a confirmation that his form has been received. He finds filing online simpler and quicker than dealing with paper returns. And repayments arrive more quickly: for instance, he filed his 2003-2004 return on 20 September and received a repayment of £90 on 2 October, less than a fortnight later.

## PENALTIES FOR MISSED DEADLINES

There are severe penalties for missed deadlines. The Revenue will charge you a fixed penalty of £100 if you miss the final return date by more than one day. If your return is still outstanding six months after the final filing date, you will be charged another £100. However, these penalties can never exceed the balance of tax due.

A further penalty of up to £60 a day can be applied in more serious cases of delay but only where General or Special Commissioners (see p7) agree. If this happens, the penalty payable can exceed the balance of tax due. See p12 for our handy tax calendar, showing all the deadlines you need to keep to in order to avoid penalty charges.

## WHAT HAPPENS NEXT

What happens when you send back your return depends on whether you calculate your own tax or whether you want the Revenue to do it for you.

### If the Inland Revenue calculates your tax...

You need to send your return back before 30 September. The Revenue will send you a 'tax calculation'. This confirms the tax due and when it must be paid. Your tax office will usually correct

## REQUESTING A RETURN HAS ADVANTAGES

Stephen Payne used to have to complete a tax return because he's a higher-rate taxpayer. Higher-rate taxpayers no longer automatically have to complete a return but Stephen intends to notify the Revenue that he wants to continue to do so.

He's doing this as he has expenses to claim. His qualifying expenses (mainly subscription fees to professional bodies which his employer doesn't reimburse)

aren't included in his current year's tax coding. He needs to file a return to get the tax relief. By filling in a return, he'll get any repayment in one lump, rather than having it dealt with through his PAYE code.

If you don't fill in a return, tell the Revenue about your eligible expenses as soon as possible to ensure they are reflected in your current year's tax code. If your code is incorrect, you'll be paying the wrong amount of tax.

Stephen's asking for a tax return

## KEEP ON TRACK

Missing deadlines means you'll incur penalties. Use our calendar to check what documents you need – and when to send them back

WHEN	WHAT	WHO
April 2005	Inland Revenue sends out most returns for the 2004-2005 tax year	Everybody who normally gets a tax return – though the recent change in guidelines means some people will be taken out of self assessment
By 31 May 2005	P60s issued providing details of your taxable pay and tax paid for 2004-2005	All employees. Also pensioners who receive an income from ex-employer's pension scheme or private pension plan
By 6 July 2005	P11Ds and P9Ds issued, providing details of your taxable fringe benefits and expenses for tax year 2004-2005	Employees or directors receiving fringe benefits
31 July 2005	Second payment on account due for 2004-2005 tax year (first one was due by 31 January 2005)	Taxpayers who make payments on account (see p36)
30 September 2005	Completed paper returns must be returned to your tax office by now if the next column applies to you	Taxpayers who want the Revenue to calculate tax due for 2004-2005. Also paper-filers who want underpayments of up to £2,000 collected by PAYE
5 October 2005	Advise the Revenue of new untaxed income received in 2004-2005 tax year if you haven't already had a tax return	Taxpayers who start to receive untaxed income during the 2004-2005 tax year
30 December 2005	Internet returns must be filed by this date if the next column applies to you	Internet filers who want tax underpayments of up to £2,000 collected by PAYE
31 January 2006	Final deadline for sending back your tax return and paying any outstanding tax due for 2004-2005  First payment on account due for 2005-2006 tax year Revenue must tell you by now if it wants to start an enquiry into your 2003-2004 return (provided your return was in on time)	Everyone who receives a tax return before 31 October 2005  Taxpayers who make payments on account Taxpayers who may have a problem on their return or who are picked at random
28 February 2006	5% surcharge on any unpaid tax from 2004-2005	Everyone who was due to pay on 31 January but who failed to do so

any mistakes or miscalculations without checking with you first, but it must inform you of any changes. If you don't send your return back by 30 September, the Revenue can't guarantee to send a tax calculation before 31 January. This means you will have to guess your 31 January payment.

You should check the Revenue's calculations straight away. You have various options if you want to challenge any amendments – see 'Appeals against tax', p7.

### If you do it yourself...

If your tax office agrees with your calculation, you won't hear anything until you get your statement of account (see p7). If your tax office finds a mistake or miscalculation, it will amend your return and send you a tax calculation statement.

If you send back your return and pay your tax just before the final 31 January filing date, there may not be time for the Revenue to advise you of any mistakes before the deadline. If you've underpaid tax, this means you will be charged interest after the deadline has passed.

### PAYING THE WRONG TAX

If you have paid too much tax, you should use question 19 on your current tax return to claim a refund – if you aren't normally sent a tax return, contact your tax office. The Revenue will let you know if you've paid too little tax once it has received your tax return, though you can challenge its decision – see 'Appeals against tax', p7.

## FOUR-PAGE TAX RETURN

A new, four-page return is being introduced nationally from April 2005, following the continued success of a Revenue pilot. The Revenue estimates that more than one million people with simple tax affairs will benefit from this shortened version. Pensioners, self-employed people with low business turnovers, and some employed people are the most likely candidates.

It's your responsibility to order the full version from the Revenue if the shortened version isn't suitable for your situation.

If you're taxed through PAYE, any overdue tax can normally be collected by changing your PAYE code for the coming year, provided you owe less than £2,000 and you file your return by 30 September (30 December if you file online).

### LATE PAYMENTS OF TAX

If you're late paying, you will be charged interest, currently at an annual rate of 7.5 per cent. A 5 per cent surcharge will be applied on any tax not paid by 28 February 2006. The surcharge will be increased by a further 5 per cent and applied to any tax bill still unpaid by 31 July 2006 for the 2004-2005 tax year. The Revenue can start legal proceedings to enforce collection of overdue tax. However, you can appeal against the penalties and surcharges if you have a reasonable case – see Revenue booklets SA/BK6 and SA/BK7. ■

## MORE HELP

### Inland Revenue leaflets

- SA/BK6 Self-assessment: penalties for late returns
- SA/BK7 Self-assessment: surcharges for late payments of tax
- SA/BK8 Self-assessment: your guide
- SA150 Tax return guide
- Codes of Practice**
- 10 Information and Advice