

# You and your tax return

When you need to complete a tax return, what you need to know when you fill it in, and what happens after you've sent it back

The ten-page self-assessment tax return is used to work out your tax bill. It asks for information on your income from savings, investments, state benefits and pensions, as well as allowances and reliefs that apply to you for the tax year. The tax year starts on 6 April and finishes on 5 April each year.

A four-page return was introduced in April 2005. You're likely to receive this if your tax affairs are simple: pensioners, self-employed people with low business turnovers, and some employed people are the most likely recipients. Revenue & Customs decides who to send this version to, based on information in your previous year's return, but you must order the full version if the short one isn't suitable.

## Warning

If you have relatively straightforward tax affairs and pay tax through PAYE, you probably won't need to complete a tax return. But if you are sent one, you must fill it in.

## WHO NEEDS TO FILL IN A RETURN

You will have to complete one if you:

- ▶ are self-employed, a company director, a business partner, a trustee, or a personal representative
- ▶ receive rental income above £2,500 a year and are not on PAYE, or have taxable foreign income
- ▶ receive other untaxed income and the tax due on it cannot be collected through PAYE.

If you're an employee or over 65, you'll have to fill out a return if:

- ▶ your annual income is more than £100,000 or you receive untaxed income of at least £2,500 a year
- ▶ you have annual investment income of at least £10,000 or you claim £2,500-plus a year in expenses
- ▶ you're entitled to some age-related personal or married couple's allowance, but not the full amount (unless your affairs are very straightforward).

Full details of who has to complete a return are in HMRC booklet SA/BK8. If you think you may need to complete a return but don't normally receive one, contact your tax office by 5 October following the tax year in which you received untaxed income or gains. Also try your tax office first if you've paid too much tax and aren't normally sent a return.

## WHAT TO DO WHEN YOU GET IT

Here, we run through the steps to take when your tax return arrives.

**STEP 1** Get together all your tax records – bank/building society statements, business earnings, expenses or accounts, P60 and so on.

**STEP 2** Read pages one and two. Page two is a checklist of the kinds of income you have. If your income is only from pensions, state benefits and savings and investments, the basic return will be all you need. But if you are employed or self-employed, or have capitals gains, say, you will also have to complete supplementary pages. Work through questions 1 to 9 and request any that you need (plus helpsheets) from Revenue & Customs on 0845 9000 404.

**STEP 3** Decide whether you're going to file online and whether you're going to calculate your own tax. This has an impact on deadlines – see opposite. You need to register first to file online; this may take up to seven days.

**STEP 4** Complete any supplementary pages first, then questions 10 to 24 in the rest of the return. If you're unsure about anything, check Revenue & Customs' tax return guide (SA150). If this doesn't help, contact your tax office or a tax enquiry centre. The Revenue & Customs' self-assessment helpline, on 0845 9000 444, offers general advice.

**STEP 5** Photocopy the form before sending it back, or print out a copy if you file online.

## CHANGE OF CIRCUMSTANCES

If you receive a tax 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, say), you probably won't receive all the supplementary pages you need, so you must request them.

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

If you think you no longer need to complete a return, notify your tax office as soon as possible.

## £ SAVE MONEY BY KEEPING TO DEADLINES

You will be fined if you miss deadlines – and the penalties can be high

### IF YOU'RE LATE WITH YOUR RETURN

Miss the final return date (31 January) by more than one day, and Revenue & Customs will charge you £100. If your return is still outstanding six months after the final filing date, expect to be charged another £100. There's a proviso that these penalties can never exceed the tax due. If your return is seriously late, you might also be charged a further penalty of £60 a day but only where Revenue & Customs has permission from the Appeal Commissioners (see p9). If this happens, the penalty can exceed the tax due.

### IF YOU PAY YOUR TAX LATE

The deadline for paying tax is 31 January. If you miss this deadline, you should still pay as soon as possible. If you're late paying, you'll be charged interest at 6.5 per cent from the date the payment was due. If you still haven't paid by 28 February 2007, a 5 per cent surcharge will be applied and this will go up by a further 5 per cent if you don't pay by 31 July 2007 (for 2005-2006).

You can appeal against the penalties and surcharges if you have a reasonable case – see [www.hmrc.gov.uk/sa/penalties.htm](http://www.hmrc.gov.uk/sa/penalties.htm) and [www.hmrc.gov.uk/sa/surcharges.htm](http://www.hmrc.gov.uk/sa/surcharges.htm).

### 2005-2006 DEADLINES AT A GLANCE

Sep'06  
30

The deadline if you want Revenue & Customs to calculate your tax. You can ask it to calculate your tax after this, but it won't guarantee to have worked out your tax by 31 January (the deadline for paying any tax due), and you could incur interest and penalties. You also need to meet this deadline if you file by paper and want to be sure that any overdue tax under £2,000 can be collected by PAYE.

Dec'06  
30

The deadline if you file online and want any overdue tax under £2,000 to be collected by PAYE.

Jan'07  
31

The final deadline for most people to file the tax return and pay any tax due.

### WHAT HAPPENS NEXT

Your tax office will run an initial check for simple errors or omissions. It may contact you if it has a minor query and must inform you of any changes it makes.

### IF YOU CALCULATE YOUR OWN TAX

If your tax office agrees with your calculation, you won't hear anything until you get your statement of account (this explains how to pay any tax due). But if your tax office finds a mistake, you'll get a tax calculation confirming the tax due and when it must be paid.

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

### IF REVENUE & CUSTOMS DOES IT

You'll receive a tax calculation confirming the tax due and when it must be paid. If you don't get your return in by 30 September, Revenue & Customs can't guarantee to send this before 31 January. This can cause problems as you'll then have to guess the tax due or work it out yourself.

Check the calculations straight away and contact your tax office with any queries. You have various options for challenging amendments – see 'Disputes about tax', p9.

### IF YOU'VE PAID TOO MUCH TAX

Revenue & Customs will send you a refund if you've ticked question 19 on the main return or have written to your tax office to ask for one. If not, the money will be credited to your tax account.

If you don't tick question 19, any money credited to your account could sit there indefinitely if you come out of self assessment or no longer have to make payments on account.

### IF YOU'VE PAID TOO LITTLE TAX

Revenue & Customs will let you know whether you've paid too little tax once it has received your tax return, though you can challenge its decision – see 'Disputes about tax', p9.

If you're taxed through the PAYE system (see our chapter on 'Your tax code', p11), any overdue tax can normally be collected by changing your PAYE code for the coming year, provided that you owe less than £2,000. If you want this to happen, get your tax

## CHECKLIST

#### DO

- ✓ Round to the nearest pound in your favour – that's income down and outgoings up. Where you're asked to add together income and credits from various sources, round down the total figure.
- ✓ Use question 19 if you think you've paid too much tax and want to claim a refund.
- ✓ Make a rough copy or use pencil first if you're working out your own tax.

#### DON'T

- ✗ Attach separate sheets: everything should be included on the form itself.
- ✗ Enter notes, such as 'see accounts', instead of actual numbers.
- ✗ Forget to check everything before filling in the form in pen.
- ✗ Forget to sign and date the declaration at the end.
- ✗ Send in your financial records – keep them safe.

## FILING ONLINE

You can use the Revenue & Customs' free internet service to complete your return. Just follow these few simple steps.

**STEP 1** Register at the Revenue & Customs' website – [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

**STEP 2** Receive a user ID and activation Pin by post.

**STEP 3** Activate your account within 28 days of the date shown, otherwise you'll have to register again or request a new Pin number.

**STEP 4** Fill in your tax return once your account has been activated. You'll get an instant, on-screen message confirming receipt. Your tax is calculated automatically, so you can file after 30 September.

**STEP 5** You'll get a secure mailbox to access any messages from Revenue & Customs. You can set up an alert to your usual email address or mobile number if anything is received, so you don't have to keep checking for messages.

As well as giving you more time to complete your tax return, filing online means you could get any repayment more quickly, as Revenue & Customs claims it's easier to process returns filed by internet. If you've filed online once, you may not receive a paper version in future, just a notice to complete a return.

return in by 30 September (or 30 December if filing online), otherwise you will have to pay any tax by 31 January.

### ENQUIRIES

Your return may be selected for further checking – this is known as an enquiry. There are two sorts of enquiry: a full enquiry, where Revenue & Customs looks into your return as a whole, or an aspect enquiry, where it concentrates on specific sections. An aspect enquiry can turn into a full enquiry.

If you submit your return on time, Revenue & Customs normally has 12 months from the final deadline to start an enquiry (so you'll be notified by 31 January 2008 for the 2005-2006 return) and between 12 and 15 months if you file late. It must follow code of practice COP11.

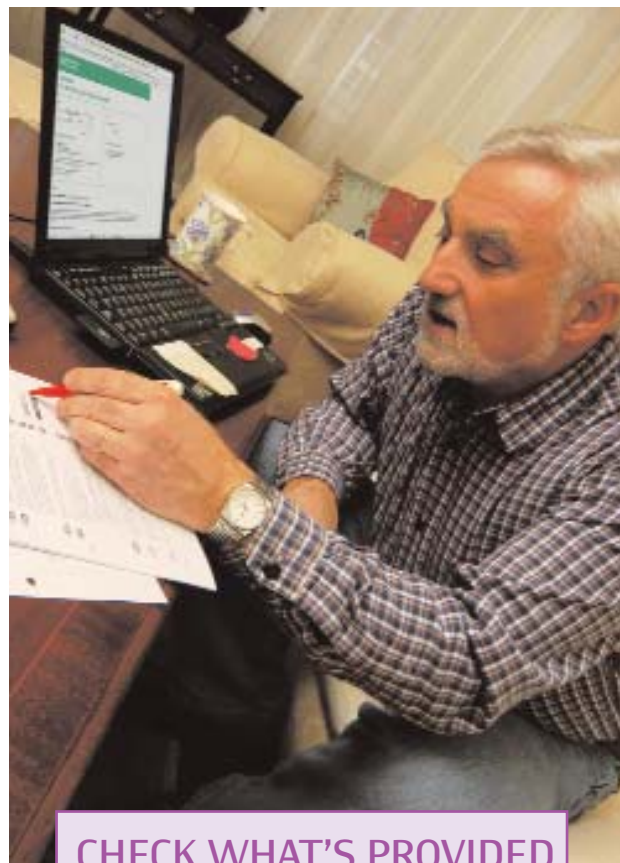
Revenue & Customs can open an enquiry into anybody's tax return – you will be notified in writing if your tax return has been selected. Your return may be selected because something looks odd or it might be chosen at random – Revenue & Customs doesn't have to give you the reason, though it does have to tell you whether it is a full or an aspect enquiry. You may have to submit records to back up your calculations.

Enquiries can be opened up to two years after you've filed if you amend your return after the filing date.



### TIP

People taxed through PAYE whose overdue tax is less than £2,000 can have the tax collected by changing their PAYE code for the coming year. For this to happen, paper filers have to submit their return by 30 September; online filers by 30 December.



### CHECK WHAT'S PROVIDED

When filing online, it's worth checking that the service provided by Revenue & Customs covers everything you need before you miss the 30 September deadline for paper returns, as Laki Marangos discovered.

Laki was keen to file online but the service didn't provide all the supplementary pages he needed. You can pay for commercial software to cover all of these but Laki didn't want to do this.

He wanted Revenue & Customs to calculate his tax and assumed he had until 31 January because he was going to complete online. But with no form to cover his foreign income, Laki had to print off the paperwork to fill in and post, all within a few days of the 30 September deadline. He's disappointed that he can't currently use the free service. 'It would have been a brilliant method of submitting tax returns,' he said.

### MORE HELP

#### HMRC leaflets

- SA/BK8 Self-assessment: your guide
- SA150 Tax return guide

#### Code of practice

- COP11 Self-assessment enquiries

#### Online help

- [www.hmrc.gov.uk/sa/penalties.htm](http://www.hmrc.gov.uk/sa/penalties.htm)
- [www.hmrc.gov.uk/sa/surcharges.htm](http://www.hmrc.gov.uk/sa/surcharges.htm)