Carter&Coley
Chartered Accountants & Business Advisors

Self-assessment

How and when to complete your self-assessment tax return.

HMRC uses self-assessment to collect tax from individuals who run their own businesses or if they receive income that is not taxed through PAYE.

The individuals who have to submit a self-assessment tax return fall into a number of diverse circumstances including:

- being self-employed
- having savings or investment income above £10,000 before tax
- receiving £2,500 or more in untaxed income (for example renting out property)
- being liable for capital gains tax
- being a company director (unless it was for a not for profit-organisation or charity and you were unpaid and did not receive any benefits from the organisation).

We can help you understand whether you need to complete a self-assessment tax return.

Deadlines

There are 4 deadlines to remember when preparing to submit your self-assessment tax return and pay tax.

Task	Deadline
Registration	5 October
Paper returns	Midnight 31 October
Online returns	Midnight 31 January
Tax payment	Midnight 31 January

Keeping records

Whether you are self-employed, a company director, a landlord or fall into any of the other categories requiring a self-assessment tax return, keeping accurate and up to date records is important.

HMRC can ask to see relevant documentation if they check your tax return, and inaccurate or incomplete records can be subject to a penalty. Having all your details close to hand will also make completing your tax return much more straightforward.

If some or all of your financial records are lost or destroyed, obtain duplicates from relevant parties. If you cannot obtain duplicate documents for all your figures use the 'any other information' box on the tax return to indicate that you have provided estimated or provisional figures.

Provisional figures mean that you will be able to obtain the paperwork to verify them. Estimated figures are figures where you will not be able to provide supporting documentation.

If you are self-employed you must keep your records for 5 years after the 31 January deadline of each tax year. If you are not self-employed you should keep your records for 22 months after the deadline and 15 months if you file your tax return after the deadline.

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Financial records

Anyone registered as self-employed should keep records of all business expenses, all sales and/or income, PAYE records if applicable, VAT records if registered and records about your personal income.

If you are employed or a limited company director you should keep:

- your P45
- your P60
- your P11D
- certificates from a Taxed Award Scheme
- information about any redundancy payments.

You should also keep records, if relevant, of tips, additional benefits such as meal vouchers, income from employee share schemes and any lump sum or incentive payments not included on a P60 or P45.

Investments, savings and pension records

You should also retain bank statements, statements of interest, bank tax deduction statements, dividend vouchers, unit trust tax vouchers, information on income from a trust, and information on any other income.

If you have a pension you should keep form P160 (Part 1A), form P60 which your pension provider will send annually, and any other pension details (including the state pension) and the tax deducted.

Allowable expenses

Allowable expenses are payments which you have made which can be deducted against tax. A significant number of business expenses can be set against tax. When completing a self-assessment return some of the items you can claim against include:

- vehicle running costs
- mileage
- business premises running costs including utilities, phone and internet
- salaries and wages
- capital assets purchased solely for the use of the business such as tools, IT equipment and software
- training courses solely for the benefit of your business.

The rules on allowable expenses are stringent. Consult an accountant if you are unsure whether you can claim for a particular expense.

For more guidance and technical advice on expenses, talk to us today.

Self-assessment in 5 steps

1. Register your business with HMRC. This can be done online using the self-assessment portal on the HMRC website. HMRC will send you a tax reference number (referred to as a UTR) which you'll need for correspondence. You do not have to register every year.
2. Collect all the information you need to complete the form.
3. Fill in and complete the form. If you are submitting your return online, log into the HMRC self-assessment page and copy all of the relevant financial details requested into the form.
4. File the form. You will then be sent the amount of tax due to HMRC.
5. Pay HMRC.

How to pay

You can pay your tax bill over the phone, online, or send a cheque in the post.

You can also pay using the payments on account system if you are self-employed.

Payments on account are advance payments towards your tax bill. Each payment is half your previous year's tax bill. Payments are due by midnight on 31 January and 31 July.

If there is more tax to pay after making payments on account, a 'balancing payment' must be made by midnight on 31 January the next year.

Penalties and appeals

Submitting your tax return late will mean that you are subject to a penalty charge. A penalty of £100 is applicable if a return is up to 3 months late and penalties will increase if the return is even later, or if your tax payment is late.

You can appeal against a penalty levied by HMRC if you have a reasonable excuse for late filing or payment, keeping inaccurate records or not paying enough tax.

What may be considered a reasonable excuse includes:

- death of a partner or close relative just prior to the deadline
- serious illness
- an emergency hospital stay
- an IT failure (hardware or software) when you were preparing or just before you were preparing your return
- unexpected delays in the post
- fire, flood or theft which prevented you from completing a return
- problems with HMRC's online service.

We can assist you with any aspect of self-assessment.