

Introduction

All annual tax returns include a self-assessment of the taxpayer's liability. Payment of tax is then based on that self-assessment.

Individuals, trustees, partnerships and companies are all within self-assessment. Companies came within self-assessment somewhat later and are subject to slightly different rules from other taxpayers. These modifications are explained in the separate topic 'Employee Share Schemes and Incentives'. Trusts are subject to essentially the same procedures as individuals but have a different tax return, not covered here. The additional requirements for partnerships are explained in the separate topic 'Partnership Tax'.

This section deals with the rules for individuals.

Although all individual taxpayers are responsible for ensuring that they declare all their tax liabilities and pay the right amount of tax, only some are within the self-assessment system.

- Some people normally pay all their tax through PAYE, deduction of tax at source from investment income, tax credits on dividends or a combination of these.

They are not within self-assessment unless they exceptionally have further tax to pay, for example, because they make a capital gain in excess of their annual exemption on selling an investment.
- Other people normally have to pay tax in addition to any amounts deducted at source. They are within self-assessment.
- The following individuals are normally within self-assessment:
 - Self-employed individuals and partners in a business.
 - Company directors.
 - People who are liable to higher rate tax on their investment income.
 - People with large amounts of investment income not subject to tax deducted at source. Small amounts of such income can normally be taxed through an individual's PAYE tax code.
- Taxpayers who regularly claim tax repayments, such as children with income from a trust, are not normally within self-assessment.

Taxpayers within self-assessment have to complete an annual tax return and the onus is on them to provide HM Revenue and Customs (HMRC) with full details of all their income and to pay their tax, whether or not they receive a payment demand. Anyone who has not received a tax return for a year must notify HMRC if they have further tax to pay, by 5 October following the tax year in question.

Tax return filing and payment deadlines are strictly enforced by means of automatic interest, penalties and surcharges. So a clear understanding of the practical aspects of self-assessment helps to avoid any pitfalls.

Tax returns

The completed tax return form is the self-assessment of income and gains. All taxpayers who receive a tax return must self-assess.

However, taxpayers can either ask HMRC to calculate the actual tax payments from the details of income and deductions shown on the form, or make their own calculations.

The form

The tax return was completely redesigned for 2007/08 in a form that HMRC hoped would be easier for taxpayers to understand and complete. The new forms were also designed to be read by machine, which should continue to reduce the types of errors that arise from scanning handwritten forms.

The tax return consists of three components that are sent to everyone who is expected to file a paper return, and several supplementary pages.

The amount of tax payable no longer forms part of the main return.

The three main components are:

- A six-page core return with boxes for personal details and the most frequently completed questions. They concern:
 - Savings income, dividends, pensions and other benefits.
 - Claims for tax relief for pension payments and gifts to charity.
 - Claims for blind person's allowance.
 - Details of tax already refunded, and requests for an underpayment to be collected through a PAYE code and for a tax repayment to be made.
- An additional information page that has some of the less common types of income and tax reliefs and the less frequently completed questions that do not require supplementary pages. They include:
 - Lump sums received from an employment.
 - Claims for income tax relief for investments in venture capital trusts (VCTs), enterprise investment scheme (EIS) shares, losses, qualifying loan interest paid and other tax reliefs.
 - Claims for the age related married couple's allowance.
- An insert to enable people to donate their tax repayment to a charity.

The supplementary pages cover:

- Employment.
- Ministers of religion.
- Self-employment (short version, for turnover less than £68,000, and full version).
- Lloyd's underwriters.
- Partnership (short version, for partnerships with only trading income and taxed bank or building society interest, and full version).
- Income from property.
- Foreign income.
- Income from trusts.
- Capital gains summary (computations must also be enclosed).

- Non-residence and non-domicile status.
- Tax calculation.

Where HMRC knows a taxpayer needs supplementary pages and issues them with the main return, they are included at the front of the core return.

The taxpayer must obtain any additional supplementary pages needed.

They are available by:

- Telephone request (0845 9000 404).
- Downloading them from the HMRC website at www.hmrc.gov.uk/sa/forms/content.htm.
- Completing the order form on the HMRC website at www.hmrc.gov.uk/contactus/staustellform.htm.

When completed, the return and supplementary pages provide all the figures that HMRC needs, except for capital gains. Individuals do not have to send any additional documents, such as accounts or certificates of pension contributions paid, other than capital gains tax (CGT) computations.

However, it is sometimes advisable to send further information and explanations in order to pre-empt an enquiry (see page 8, 'Enquiries').

Online filing

Taxpayers can file online instead of completing a paper return, but first have to register for online filing.

- Details can be entered online using HMRC's simplified software, which calculates the tax payable. However, it cannot deal with some less commonly completed supplementary pages.
- Alternatively, there are several commercial versions of tax return software.
- HMRC encourages all taxpayers to file online. However, there is no financial incentive for doing so.

The short tax return

Some taxpayers are sent a simplified four-page tax return. These taxpayers are within self-assessment but have fairly straightforward tax affairs, such as pensioners, some employees and self-employed individuals with business turnover below £30,000.

- HMRC selects who is to receive the short return based on the previous year's return, but taxpayers who receive it must decide, using the guidance notes, whether they are in fact eligible to use it.
- Recipients can use the standard tax return instead if they prefer, and must do so if they are not eligible for the short return.
- The short return does not include a facility to calculate one's own tax payments.
- The form is not available online and cannot be ordered.
- The short tax return has only one supplementary page – for capital gains. This is specially designed for the short return and can be ordered from HMRC.

Time limits

Tax returns are normally sent out in April soon after the end of the tax year.

There are different filing dates for returns filed online and for paper returns.

- For returns filed online the filing date is 31 January following the tax year to which it relates, or three months after its issue if later. The 2009/10 return must therefore normally be filed by 31 January 2011.
- Taxpayers who have income taxed under PAYE can have an underpayment of less than £2,000 collected with their PAYE tax for a later year if they file their return online by 30 December.
- Taxpayers who file a return on paper must do so by 31 October following the tax year to which it relates. A 2009/10 paper tax return must therefore be filed by 31 October 2010. Where a return is issued after 31 July following the end of the tax year, if it is filed on paper this must be done within three months of the date of issue.
- Where a return is filed on paper by the 31 October filing date, HMRC will calculate the tax in time for the due date for payment.
- Likewise, taxpayers who file on paper by the 31 October filing date can request that an underpayment of less than £2,000 be collected with their PAYE tax for a later tax year.

The figures

The return must be completed with accurate figures for each type of income. It is not enough to refer to other documents, such as information about salaries that the employer has sent HMRC (forms P14 and P11D).

Sometimes the exact figure cannot be known in time. For example, a person might become self-employed late in a tax year and the accounts for the first accounting period are not ready by the filing date for that year.

In this situation an estimate of the figure is allowed, but the fact that the figure is estimated must be brought to HMRC's attention. Estimates are only acceptable where there is a genuine reason for them, and the correct figures must be supplied as soon as possible.

Amendments to a tax return

Taxpayers can amend their returns at any time in the period ending 12 months after 31 January following the tax year. The earlier filing date for returns filed on paper does not affect the amendment period. The latest amendment date will therefore be 31 January 2012 for all 2009/10 returns.

Admitting that there was an error in a tax return and correcting it does not increase the likelihood of an enquiry. It is better to correct mistakes than to maintain an incorrect self-assessment.

HMRC can correct obvious errors and omissions in a return at any time within nine months of its delivery.

If the correction is required because of a taxpayer's amendment to the return, the nine-month period begins immediately after the date of the taxpayer's amendment.

The taxpayer can reject an HMRC correction within 30 days of the date of the notice of correction. In practice, HMRC extends this time limit.

Amendments will often affect the tax liability. Any further tax payable as a result of the amendment is due 30 days after the amendment, if this is later than the normal due date for payment.

However, interest will run from the normal due date (see page 7, 'Interest').

Penalties for late returns

Penalties are charged if a tax return is filed late although they may be cancelled if there is a reasonable excuse for the delay.

Some penalties are automatic and others are discretionary.

- A penalty of £100 (or outstanding tax liability, if less) is imposed automatically for a return filed after 31 January, or the extended date where the return was issued late.
- There is a further automatic penalty of the same amount for a return more than six months late.
- Daily penalties of up to £60 can be charged in the most serious cases. This is rare.
- Where the return is more than 12 months late, a penalty of up to the amount of the tax due may also be imposed. The penalty applied is usually less than the maximum.

Determinations

If a tax return is not made, HMRC will estimate the tax due. This is called a determination and payment of the tax is enforced.

- There is no set period after the 31 January filing date when HMRC makes the determination, except that it must be made within five years of that date.
- From 1 April 2010 that time limit will be three years after the 31 January filing date.
- There is no right of appeal and payment of tax cannot be postponed.
- The determination is displaced only when the taxpayer sends in a self-assessment.
- The self-assessment must be made within 12 months of the determination and no later than five years after the 31 January filing date.

Tax payments

Under self-assessment the taxpayer is responsible for paying tax at the right times, whether or not HMRC issues a demand for payment.

Interest is charged on tax paid late, and surcharges can also be imposed.

Payment dates

There are three payment dates for each tax year:

- 31 January during the tax year for the first payment on account.
- 31 July after the end of the tax year for the second payment on account.
- 31 January after the end of the tax year (the fixed filing date) for the balancing payment and any CGT.

If the two payments on account turn out to be more than the tax liability for the year, the due date for the resulting repayment is 31 January after the end of the tax year.

Taxpayers can nominate a charity to receive any tax repayment shown in a self-assessment return. Charities that wish to receive repayments must register with HMRC and obtain a special charity code for this purpose.

Payments on account

Each payment on account is half the previous year's income tax liability on all sources of income, less any tax deducted at source.

- Taxpayers who calculate their own tax must also calculate their payments on account for the following year.
- There are no payments on account for CGT.

Not all taxpayers within self-assessment have to make payments on account. No payments on account are needed if either (or both) of the two following conditions is met:

- The income tax liability for the preceding year, less any tax deducted at source (from savings income or under PAYE) and tax credits on dividends, was less than £500. This figure is to be increased to £1,000 in respect of payments on account for 2009/10 onwards. The first payments on account to be affected will be those due on 31 January 2010 and 31 July 2010.
- More than 80% of the income tax liability for the preceding year was met by deduction of tax at source or tax credits on dividends.

As a result of this rule, many directors and employees do not have to make payments on account even if they are within self-assessment.

The system of payments on account gives rise to large tax payments on the January date where a taxpayer's income increases from year to year. This is because the payments on account, being based on the previous year's tax, will be relatively low, so there is a large balancing payment. At the same time, the taxpayer must pay 50% of the year's tax liability on top, as a payment on account for the next year.

Example

Julian's tax liabilities are £10,000 for 2008/09 and £16,000 for 2009/10 (on top of tax of £1,000 deducted at source).

His payments on account for 2009/10 are therefore £5,000 payable on 31 January and 31 July 2010.

On 31 January 2011 he has to pay the balance of his tax for 2009/10, which is £6,000 (£16,000 – £5,000 – £5,000).

He must also make his first payment on account for 2010/11 of £8,000 (half his tax for 2009/10).

The total payment on 31 January 2011 is therefore £14,000.

On 31 July 2011 he has to pay a further £8,000 – the second payment on account for 2010/11.

Paying tax through PAYE

Directors and employees under PAYE can choose to pay off underpaid tax of less than £2,000 by an adjustment to their PAYE coding for the following tax year instead of making a balancing payment on 31 January following the tax year.

They can only be certain of this if they make their tax return by 31 October on paper or by 30 December if they file online.

If the tax is paid in this way, payments on account will be reduced for the following year.

Reducing payments on account

Taxpayers who expect that the payments on account (based on the previous year) will come to more than the eventual tax liability for the current year, can make a claim to reduce the payments on account.

- The claim can be made in the tax return for the previous year or on a separate form at any other time.
- The taxpayer must give valid reasons for the reduction.
- If the taxpayer has already made one or both payments on account, HMRC will repay the excess over the reduced payments, if the taxpayer requests. Otherwise the repayment is carried forward against future liabilities.

A penalty can be charged if a taxpayer claims excessively reduced payments on account without adequate reason.

The maximum penalty is an amount equal to the excessive reduction.

A payment on account can never be more than 50% of the previous year's tax liability.

If the tax liability for the year is more than the payments on account, the excess need not be paid until the due date for the balancing payment.

Interest

Interest is charged where tax is paid late for whatever reason.

- Under new rules in force from September 2009, the interest rate on tax paid late is 2.5 percentage points above the average base lending rate. At the time of writing, this is 3.0%.
- Interest charges on tax paid late cannot be deducted from a trader's taxable profits or any other form of income.

For the two payments on account, interest runs from the date on which the payment is due, ie 31 January in the tax year and 31 July after the tax year.

- Interest is also charged where a taxpayer has made a claim to reduce payments on account and the payments turn out to be less than the eventual tax due for that year.
- No interest is charged to the extent that payments on account equal to the previous year's tax liability are paid on time but turn out to be less than the current year's tax.

For the balancing payment, interest runs from the normal due date for payment, namely 31 January after the end of the tax year, with one exception. A taxpayer who has not received a tax return must give notice of chargeability to tax before 6 October after the end of the tax year.

If the taxpayer does so but is not sent a tax return until after 31 October, the due date for paying the tax and the date from which interest runs is the last day of the three months beginning with the date on which the tax return is issued.

In all other cases, interest runs from the 31 January date even where the actual due date for payment is later, for example, where additional tax is payable as a result of an amendment to a tax return.

Repayments

Tax repayments carry interest. This interest is not taxable income.

- Since September 2009, the rate of interest on repayments is normally two percentage points below the base lending rate, but cannot be less than 0.5%. Since the base lending

rate is 0.5%, the rate on repayments is 0.5% (it has been at this level since 29 September 2009).

- Interest on repayments generally starts to run from the later of the date of the payment of the tax or the due date for payment of that tax and is reckoned up to the date of its repayment.
- Where the repayment consists of tax deducted from income at source, for example, under PAYE, interest is paid from 31 January after the end of the tax year until the date of the repayment.
- Where the repayment arises out of a tax relief carried back to an earlier year – for example, payments to charities under the gift aid scheme – interest runs from 31 January following the end of the later year.

Surcharges

Surcharges are imposed in addition to interest where tax is paid very much later than the due date for the balancing payment.

- A surcharge of 5% of the tax paid late is imposed where tax is still outstanding more than 28 days after the due date. Normally, therefore, the surcharge is imposed where payment is later than 28 February.
- A further surcharge of 5% is levied on any tax still unpaid more than six months after the due date. Normally, the second surcharge is imposed where payment is later than 31 July.

The due date for the calculation of surcharges is the actual due date for payment of the tax. This will normally be 31 January. However, where additional tax arises as a result of an amendment to a tax return, the due date for payment of that tax is 30 days after the amendment, and the first surcharge is imposed only if tax is unpaid more than 28 days after that.

A taxpayer can appeal against a surcharge on the grounds that there was a reasonable excuse for the late payment.

Examples of acceptable excuses are if a cheque was lost in the post or there was serious illness around the due date for payment. Not knowing how much to pay or not receiving a reminder for the payment are not considered to be reasonable excuses.

Interest is charged on any surcharge that remains unpaid more than 30 days after the notice imposing the surcharge.

These rules are due to be replaced by a new uniform penalty regime covering most taxes. Broadly speaking, there will be a penalty of 5% of the tax unpaid once 30 days have passed from the due date; a further 5% penalty on any tax still unpaid after five months from that date, and another 5% on tax unpaid after 11 months after that date.

Statements of account

HMRC periodically sends taxpayers statements of account.

The statements, which are consecutively numbered, show the payments due, payments made towards those liabilities, any outstanding balance and any interest charged or paid by HMRC.

Where tax is outstanding, the statements are sent monthly: otherwise they are sent only when necessary, such as before a payment date.

Enquiries

When HMRC receives a tax return on paper, all the information is input to a computer which checks for obvious errors, such as arithmetical mistakes and inconsistencies between gross

amounts of income and tax deducted. Taxpayers who make such mistakes will receive a 'repair notice' explaining why corrections have been made. The main checking is done later.

Starting an enquiry

For tax returns from 2007/08 onwards, an HMRC enquiry must normally be started within 12 months of the date HMRC receives the tax return. For the 2006/07 return and earlier years, an HMRC enquiry had to be normally started within 12 months of 31 January following the end of the tax year. After these periods, HMRC may open an enquiry only where it has reason to believe that there has been fraud or negligence.

The implication is that, in most cases, if HMRC has not started an enquiry within 12 months, the taxpayer can be reasonably certain that the self-assessment is final.

HMRC selects tax returns for enquiry in four main ways:

- Where it holds information on a taxpayer's income or gains that are not shown, or incorrectly shown, on the return.
- Where it wants to check that a relief claimed, such as for personal pension contributions, is actually due, or that one of the more complex sections, such as the CGT pages, has been completed correctly.
- Where the return looks wrong, eg a self-employed person's business results seem unlikely or a director has omitted benefits in kind that were on previous returns.
- On a random basis. There are very few of these. A reply to a parliamentary question revealed that since 1997 there have been on average 2,600 random enquiries a year into the tax returns of the self-employed.

In addition, checks on claims for working tax credit and child tax credit can lead to tax return enquiries, where income is found to be understated in a claim. Tax credit enquiries themselves are not carried out by ordinary tax offices but by the compliance coordination unit of HMRC's Tax Credit Office.

HMRC does not have to give a reason for starting enquiries. Enquiries can range from simple factual questions about a single entry in the return to full-scale investigations. Sending additional information and explanations with a tax return might pre-empt an enquiry but will not necessarily do so.

For example, if there are reasons why income differs from the previous year, explaining this could be enough to stop HMRC opening an enquiry to ask about this point. While a taxpayer could take the view that any questions can easily be answered as they arise, enquiries once open can lead to further questions. HMRC cannot normally open a second enquiry on the same aspect of the tax return, so will continue an enquiry until it is fully satisfied with the figures.

A taxpayer can never be sure that HMRC has agreed a self-assessment until after the last date on which an enquiry can be opened. Even then the position may be uncertain.

Conduct of the enquiry

At the start of an enquiry, HMRC will issue its Code of Practice (COP 11). This sets out the rules under which enquiries are made into income tax returns.

It explains how taxpayers can expect HMRC to conduct enquiries and what happens if it finds something wrong.

- HMRC's opening letter will normally cover all the areas that are to be subject to enquiry, but the information supplied could result in the enquiry being expanded.
- In a full enquiry, HMRC will usually ask to see the taxpayer's underlying records of income and expenses and want a meeting with the taxpayer. A taxpayer is not obliged to agree to a request for a meeting.

- If the enquiry is limited to one aspect of the tax return, HMRC will simply ask for whatever is necessary to deal with that matter.
- A taxpayer who believes all the necessary information has been supplied can ask for the enquiry to be closed.
- HMRC can also issue a formal request to a taxpayer to produce documents.

Conclusion of the enquiry

At the end of an enquiry, HMRC will give the taxpayer notice of completion of the enquiry and a statement of its conclusions.

It must make any necessary amendments to the self-assessment or state that no amendment is necessary. As with other amendments, any additional tax is payable 30 days after the amendment.

Discovery assessments

If HMRC 'discovers' that a self-assessment was incorrect, it can make an assessment to recover the apparent loss of tax any time within 20 years of the end of the tax year to which it relates if:

- The loss of tax is brought about deliberately, or arises from a failure to notify chargeability, or from a tax avoidance scheme that ought to have been disclosed to HMRC, but has not been by the taxpayer or a person acting on the taxpayer's behalf, or
- At the end of the normal 12-month enquiry period, or at the conclusion of an enquiry, HMRC could not have been reasonably expected, on the basis of the information so far made available, to be aware of the loss of tax. The extent of this power was tested in a court case in 2004 (*Langham v Veltema* EWCA Civ 193), which involved the transfer of company property to a director. The Appeal Court held that it was not sufficient for the taxpayer to show in the tax return that an independent valuation had been used: discovery remained a possibility because the return did not show that the valuation was too low.

If the loss of tax is brought about through mere carelessness, the time limit is six years from the end of the tax year concerned. Where there is no carelessness, the time limit is four years.

As explained earlier, in most cases, if HMRC has not started an enquiry within 12 months, the taxpayer can be reasonably certain that the self-assessment is final.

Taxpayers can go some way to protect themselves from an enquiry after the normal period by sending any relevant additional information with the return. This may also prevent an enquiry within the 12-month period but will not necessarily do so, as HMRC can open a normal enquiry without a specific reason. Such information may include business accounts, where the business is complex or unusual and the entries on the self-employment schedule do not give the full picture. Explanations can also be included, such as reasons why business results or amounts of investment income may be out of line with previous years, and evidence for valuations and reliefs claimed in a CGT computation.

HMRC will look at additional information sent with the return or within a month of the return where the return states that further information is to follow. Where accompanying documents are voluminous, the taxpayer should explain their relevance, otherwise they cannot be relied upon as a defence against a late enquiry.

The new penalty regime

A new penalty regime applies to incorrect returns and claims for return periods starting after 31 March 2008 that are due to be filed on or after 1 April 2009.

- For incorrect returns and claims, a penalty will arise if:

- The document contains an error that leads to understated tax, a false or inflated statement of a loss, or a false or inflated repayment claim, and
- The error is careless, deliberate, or deliberate and concealed.
- The penalties are a percentage of the potential lost tax.
 - There will be no penalty if a taxpayer takes reasonable care but nevertheless submits an incorrect return. However, if the taxpayer later discovers the error and does not take reasonable steps to inform HMRC, the error will be treated as careless.
 - The penalty will be up to 30% of the lost tax for a careless error.
 - It will be up to 70% of the tax for a deliberate error (without concealment).
 - It will be up to 100% of the tax for an error that is deliberate and concealed.
- Everyone has a responsibility to take reasonable care but HMRC will not expect the same level of knowledge from a self-employed and unrepresented individual, for example, as from a large business.
 - HMRC expects people to take more care over complex matters than over simple straightforward ones and expects people to seek competent advice over matters they do not understand.
 - Everyone is expected to keep sufficient records to enable them to make a complete and accurate return.
- The penalties will be substantially reduced if the taxpayer discloses the error before HMRC makes enquiries and provides information to help HMRC quantify the tax lost.

Other issues

Record keeping

All taxpayers, not just those within self-assessment, are required to keep all the records necessary for making a tax return. There are specific penalties for failing to do so. In addition taxpayers who do not keep sufficient records will not discharge their duty of taking reasonable care for the purpose of the new penalty regime for incorrect tax returns.

Self-employed people have to record all income, purchases and expenses as they arise, and keep back-up records such as bank statements, cheque stubs, paying-in slips, invoices and receipts.

Estimates of income and business expenses are not allowed, except where there is good reason for the estimate. In such cases, it must be notified as an estimate on the tax return and corrected later.

All taxpayers have to keep records of their income and documents supporting any deductions and reliefs claimed. Documents showing tax deducted or tax credits, such as dividend vouchers, must normally be kept in their original form.

Taxpayers who are in business (which includes any letting of property) must keep all records for at least five years after the 31 January filing date. Other taxpayers must keep them for at least one year after that date. These time limits are extended if the return is submitted late.

If HMRC starts enquiries, the relevant year's records must be kept until the enquiries are over.

Penalties

There is a maximum penalty of £3,000 for failing to keep records. The penalty is not automatic and would normally be considerably less than this.

Employers

Employers have to provide enough information to employees so that they can make their own self-assessments.

- Employers must supply P60 certificates of pay and deductions by 31 May to all employees who were employed on the previous 5 April.
- Employers must also send forms showing benefits and expenses (form P11D) to HMRC by 6 July after the end of the tax year.
- Employees still in employment on the previous 5 April must be given details of all their taxable benefits in kind and expenses paid, including the value on which tax is charged. The deadline is 6 July after the end of the tax year.
- Employees who left during the tax year have to be given the details of benefits and expenses if they ask for them.
- Businesses that provide benefits for the employees of another business are required to notify those employees in writing of the cash equivalent of those benefits by 6 July after the end of the tax year, but do not have to inform HMRC on a routine basis.
- There are penalties for failures by employers to provide information by the due dates and for providing incorrect information.

Partnerships

Members of business partnerships have to complete the partnership schedule on their own tax return. They only have to give information about their share of the partnership net taxable income from all sources and any loss relief claims they are making. No details of the income and expenses of the partnership are required.

The partnership itself has to complete a separate tax return giving full details of business income and expenses, and other types of income such as bank interest and income from letting partnership property. The division of net income between the partners must be shown, giving the figures each partner will show for their own return.

Claims for relief for previous years

Some tax reliefs can be carried back to previous years, eg trading losses, gift aid donations to charity and averaging of profits for creative artists and farmers. In these circumstances the past year's self-assessment is not reopened as such.

The procedure is:

- The relief is calculated as if it were being given for the earlier year.
- It is actually given as a repayment for the tax assessment for the year in which the claim arises, for example, the year in which the gift aid donation is made or the loss is incurred.
- The tax relief does not affect payments on account for any year. The payments on account for any year are always based on the full tax liability of the year before without deducting the relief.
- Most of these claims can be made in a tax return or separately.
- There are varying time limits for claims for reliefs.
- If the claim results in a tax repayment, interest is paid only from 31 January following the later year.

Failure to notify chargeability

A taxpayer who has not received a tax return must give notice of chargeability to tax before 6 October after the end of the tax year.

A penalty may be charged if the taxpayer fails to do this.

Taxpayers who fail to notify that they are chargeable to tax after 31 March 2010 are charged penalties on similar lines to the penalties for incorrect returns from 1 April 2009. Previously, the maximum penalty was an amount equal to the tax remaining unpaid by the fixed filing date, although a smaller amount would normally be charged.

Taxpayers who do not normally receive tax returns but exceptionally have a tax liability, for example, a chargeable gain on a life insurance policy or capital gain above their annual exemption, must take care to notify HMRC in time.

However, if a taxpayer forgets, the penalty can still be avoided by paying all the tax by the following 31 January.

Summary of key dates

The key tax dates falling in the 12 months from 1 June 2010 are as follows:

6 July 2010	Deadline for employers to provide P11Ds to employees for 2009/10.
31 July 2010	Second payment on account for the 2009/10 tax year.
1 August 2010	Second fixed penalty of up to £100 for returns not filed for the 2008/09 tax year.
1 August 2010	Second 5% penalty imposed on tax still unpaid for the 2008/09 tax year.
5 October 2010	Deadline to notify HMRC that tax will be due for the 2009/10 tax year (for taxpayers who have not been sent a return).
31 October 2010	Deadline for filing tax returns for 2009/10 on paper (except where the return was issued after 31 July 2010).
30 December 2010	Deadline for filing 2009/10 tax returns over the internet where the taxpayer wants a tax liability of less than £2,000 to be collected through the PAYE tax code in 2011/12.
31 January 2011	Deadline for filing tax returns for 2009/10 over the internet (except where the return was issued after 31 October 2010).
31 January 2011	Balancing payment of tax for 2009/10 (except where return was issued after 31 October 2009 and there was no failure to notify chargeability) and first payment on account for 2010/11.
February 2011 onwards	Tax determinations and fixed penalty notices issued where a 2009/10 tax return has not been filed, and penalty notices issued where a 2009/10 return has been filed on paper after 31 October 2010.
1 March 2011	5% penalty imposed on unpaid tax for 2009/10.

6 April 2011

HMRC issues tax returns (or notices to file a tax return) for 2010/11.

31 May 2011

Deadline for employers to provide P60s to employees for 2010/11.

Tax planning key points

- In practice, many taxpayers ask accountants to help prepare their returns under self-assessment. However, the taxpayer remains responsible for keeping the necessary records and producing information promptly.
- Each tax year HMRC levies a large sum in penalties for late tax returns and surcharges on unpaid tax.
- Taxpayers who ignore their obligations generally end up paying more and suffering the inconvenience of an enquiry.

This guide is for general information only and is not intended to be advice to any specific person. You are recommended to seek competent professional advice before taking or refraining from taking action on the basis of the contents of this publication. The guide represents our understanding of the law and HM Revenue & Customs practice as at May 2010, which are subject to change.