

Self-Assessment - All you need to know



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It is almost that time of year again when the deadline for filing your self-assessment tax return is approaching. Here is a quick guide to all you need to know about self-assessment tax returns.

1. Deadline

The deadline is 31 January 2020 and all returns at this stage of the year must be filed online (with a few exceptions). The deadline for paper returns was 31 October 2019.

After this date an automatic penalty of £100 will be incurred.

Therefore, make sure that you can find your logon details and can remember your password. Try to login now even if you don't intend filing your tax return just yet. There is still time to have your login details reissued and have your password reset.

2. I'm employed - Do I need to do a tax return?

Apart from those who are self-employed and therefore must complete a tax return, who else may need to complete a tax return?

There are several reasons why you may need to complete a tax return. These include:

- You have £2,500 or more in untaxed income e.g. money from renting out a property or savings and investments.
- You have income from your savings or investment of £10,000 or more before tax
- You made profits from selling things like shares, a second home or other chargeable assets and need to pay Capital Gains Tax
- You are a company director
- Your income (or your partner's) was over £50,000 and one of you claimed Child Benefit as there is the High Income Child Benefit Tax Charges to consider.
- You have dividends from shares above £2,000
- Your income was £100,000 or more before tax

If any of these reasons apply to you, it is your responsibility to register for self-assessment and file a tax return.

3. When is any tax that I may owe due?

Any balance of tax due for 2018-19 under self-assessment is due on 31 January 2020. Also due on this date is the first payment on account for 2019-20 unless your total tax due for 2018-19 was less than £1,000 or more than 80% of your tax was collected at source i.e. under PAYE for employment income.

The good news is that payments on account don't include student loan repayments or capital gains tax.

4. Is there anything I can do at this stage to reduce my tax bill?

The simplest way to reduce your tax bill is to make sure you are claiming all the reliefs and exemptions you are due.

An easy relief to claim is the Marriage Allowance. The Marriage Allowance allows you to transfer 10% of your personal allowance - £1,250 in the current year, to your spouse or civil partner. This will benefit anyone who is a basic rate taxpayer and whose spouse or partner earns less than the personal allowance, currently £12,500, and hence not using all of their personal allowance.

If you have missed claiming this, you can backdate any claims for up to 4 years.

Gift aid payments to charities can also reduce your tax bill so don't forget to keep a record of them. Whilst the charity will claim back the basic rate tax of 20% on any donations, if you are a higher rate taxpayer you can save a further 20% tax on your gift aid payments. This can be claimed via your tax return.

Another useful tip if you are a higher rate taxpayer in 2018-19 but not in 2019-20 you can elect to carry back any gift aid payments made up to the time you file your tax return. This can reduce the tax due on 31 January 2020.

If you incur any expenses don't forget to claim them. This doesn't matter if you are employed or self-employed. Although the rules are tighter for those who are employed, employment expenses are still worth claiming for.

Don't forget, every year HMRC carry out a number of compliance checks on tax returns. Some of these are random but increasingly these are being targeted at certain people or businesses who they may suspect to have filed incorrect tax returns. HMRC have a wealth of knowledge at their fingertips to allow them to check your tax return Not least of their Connect computer which allows the cross-referencing of more than 22bn lines of data. Therefore, make sure you have back up for any figure contained on your tax return.

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