

Guide from

[insert your firm’s name here]

Tel: [insert telephone number here] Email: [insert email address here] [Insert web address here]

[Insert a line about your business here]

Essential guide to income tax self-assessment

Many tax payers are affected by self-assessment, including the self-employed and high earners. If you are one of them, there is no need to be concerned. As long as you keep detailed financial records and meet the deadlines for completing the return and paying tax, you should not have a problem.

**1. Does self-assessment apply to you?**

*You may need to complete a self-assessment tax return*

This includes if you:

* are a sole trader earning more than £1,000
* are a partner in a business partnership
* have a total income over £100,000 or have complicated tax affairs
* have an income over £50,000 and either you or your partner receive child benefit
* get income from savings and investments or dividends over £10,000
* have property income over £10,000, or profits over £2,500
* need to pay capital gains tax on assets you have sold
* are a religious minister, Lloyd’s underwriter, examiner or share fisherman.

*You may need to register for self-assessment*

* If you did not send a return last year, you must register within six months of the end of the tax year (ie by 5 October).
* If you filed a tax return last year, HMRC will normally send you a reminder automatically. It is your responsibility to file a return even if HMRC does not remind you.

*You may need to contact HMRC even if you aren’t required to complete a self-assessment return*

* You must notify HMRC if you have untaxed income – for example, if you earned more than £1,000 from property (but less than the £2,500 that would require you to register for self-assessment).
* You may want to register for self-assessment to claim some income tax reliefs.
* You may need to register for self-assessment to be able to claim benefits as someone who is self-employed.

*Many people do not need to complete a self-assessment return*

* If your only income is as an employee paid through the PAYE system, or from a pension where tax is already deducted, you are unlikely to need to submit a tax return.
* You do not need to declare or pay tax on small amounts of income from savings interest (less than £500-£1,000, depending on your total income), trading (less than £1,000), property (£2,500), dividends (£2,000) or renting out a room in your home (£7,500).

**2. Your obligations**

*HMRC must receive your tax return by the fixed filing date*

* The fixed filing date for online submissions is 31 January.
* The deadline for paper tax returns is 31 October, but you should allow a few days for postal delays.
* If you file online by 30 December, or submit a paper return by 31 October, HMRC may be able to collect any tax due by reducing your PAYE code for the next year. You must owe less than £3,000.
* If you return your completed form online, HMRC will calculate any tax due automatically. Your final tax calculation will be available online within 72 hours.
* If you miss the deadline, you will incur a fine of £100. There are additional fines for returns that are filed more than three months late. The fines increase again after six and 12 months.

*You must keep detailed records to support the information in your tax return*

* The self-employed, those in partnership and those who let property must keep records for five years after the filing deadline.
* If you are not running a business, you are normally required to keep records for a year after the filing deadline.
* If you fail to keep adequate records, you can be fined.

*You must pay your tax on time*

There are two tax payment dates in the year: 31 January and 31 July.

*If you are an employee, you may only need to make one payment*

* Under PAYE, tax is automatically deducted from your salary throughout the year.
* Any extra tax you owe is due by 31 January (10 months after the end of the tax year).
* If you owe less than £3,000 and submit your return in time, the tax can be collected from your salary under PAYE.

*If you are self-employed or owe additional tax, you usually make two payments   
‘on account’*

* These are based on your profits for the previous year.
* The first has to be paid by 31 January, before the end of the current tax year. The second, by 31 July, is after the end of the tax year.
* Any outstanding balance must then be paid by the following 31 January.

*Interest and penalties are charged on late payments*

* A 5% surcharge will be charged on any outstanding tax remaining unpaid after 30 days.
* A further 5% surcharge will be charged on any outstanding tax remaining unpaid after six months.
* An additional 5% will be charged if the tax is unpaid after 12 months.

**3. The tax return**

*Self-assessment returns vary in length as they are tailored to each individual's circumstances*

*Everyone must fill in the main section of the tax return*

This covers:

* income from savings and investments
* pensions
* tax allowances and tax reliefs
* state benefits.

*You must also complete the sections covering your types of income and gains*

You may need to complete:

* employment section, for each job where you were an employee
* self-employment, if you were a sole trader (not in partnership) or had self-employed income in addition to your main job (eg freelance or consultancy earnings)
* partnerships, if you had partnership income; one partner also needs to complete a partnership return
* UK property, if you received rental income over £1,000
* Foreign income, if you had income from overseas investments, pensions, benefits and rents. You do not need to complete this form for overseas employment, unless you have been taxed both overseas and in the UK and want to reclaim tax
* trusts, if you received income from a trust fund or have set one up
* capital gains, if you disposed of assets and the gains were over £12,300 or the total proceeds were more than four times this amount. You do not normally need to complete this form for private possessions, such as your main home or private cars, unless they were used for business
* residence, remittance basis, if you lived or worked abroad during the tax year.

**4. Record-keeping**

Before completing your tax return, it is essential that you gather all the information you need.

*Employment*

You will need information required from documents given to you by your employer. These include:

* your P60 showing how much income tax and national insurance you have paid during the tax year; your employer should give this to you by 31 May following the end of the tax year on 5 April
* your P11D or statement of payrolled benefits, if you receive any employee benefits or expenses; your employer should give you this by 6 July
* your P45 (Part 1A), if you left employment during the tax year.

*Self-employment or partnership*

You will need:

* details of income and expenses during your last accounting year
* profit and loss accounts; you will also want a copy of the previous year’s accounts for reference
* copies of your 'statement of account' forms, showing you how much tax you have already paid
* your balance sheet (if you have one); if you do not have a balance sheet, you can leave this section of your tax return blank.

*Savings and investments*

You will need:

* bank and building society passbooks and statements
* annual investment statements from unit trust and investment trust companies; ISAs do not need to be declared on your tax return
* share dividend tax vouchers.

*Personal pension plan*

* If you contribute to a personal pension plan, you will need your annual contribution statement from your plan provider.

**5. Completing the return**

*Consider employing a qualified accountant or tax adviser*

* You may want to do this if you are self-employed or have complicated financial arrangements.
* A good accountant or tax adviser will be able to calculate your tax bill and ensure that you pay the right amount of tax.
* Your adviser’s fees may be a tax-deductible expense.

*Choose your adviser carefully*

* You may want to use a qualified accountant or tax adviser, particularly for tax planning advice.
* An accounting or tax technician may offer less expertise.

*Remember your responsibilities*

* Even if you employ an adviser, you may have to do the day-to-day paperwork yourself unless they provide you with bookkeeping services. You will have to supply details of income, invoices, receipts and expenses.
* It is still your responsibility to ensure that your tax return is correct and filed by the deadline, and that any tax due is paid on time.

## Brought to you in conjunction with Atom Content Marketing: offering practical advice to help small businesses succeed.

October 2022

**ACCA LEGAL NOTICE**

guide is for guidance purposes only. It is not a substitute for obtaining specific legal advice. While every care has been taken with the preparation of the technical factsheet, neither ACCA nor its employees accept any responsibility for any loss occasioned by reliance on the contents.