

Checking your tax – What you need to think about at the end of the tax year

The tax year 2018/19 ended on 5 April 2019 and the tax year 2019/20 then moved in to take its place. But we can't yet quite consign 2018/19 tax matters to history, or at least not everyone can. Some people will need to do a Self-Assessment tax return for 2018/19, but as we covered typical Self-Assessment circumstances in an article a few months ago we won't repeat it here. However, even though the majority of taxpayers do not need to do a tax return this doesn't mean that 2018/19 is finished.

HMRC spends about two months collating income and tax data following the end of the tax year. This will include all the information they receive from employers and pension administrators about incomes paid and tax deducted at source via the PAYE system. HMRC will then begin a process called "reconciliation" where they calculate if you've paid the right tax. For most people it works out fine and they don't hear anything from HMRC. However, if there appears to be a discrepancy, HMRC will send you a calculation with either a refund or a request that you make a payment.

If you get one of these calculations from HMRC (known as a "P800 calculation", after the serial number of the form it is on) you first need to check it. But how do you do that? Below is a list of the documents which would usually enable you to check a P800 calculation.

P60 – If you are an employee or receive a pension and tax is deducted at source, then the employer or pension administrator must send you a P60 shortly after the tax year ends. This will show the amount of pay/pension for the year and the tax which was deducted.

P45 – When you leave employment, or close a pension pot and receive a lump sum payment, you should be sent a P45 by the employer or pension administrator. This shows the total taxable income paid since the tax year started, and any tax deducted at source.

P11d – If you are an employee receiving taxable non-cash benefits (e.g. company car, healthcare scheme) your employer should give you a P11d form showing the taxable value of those benefits.

Savings interest statements – Basic rate taxpayers can have at least £1000 of savings interest tax free each year, so detailed checking of your interest is only important if you think you might go over this. Also remember that ISA interest is separately tax free, so doesn't count at all. Anyone needing to check interest amounts can refer to statements, passbooks etc, but could instead request a statement of interest paid, available from banks and building societies shortly after the tax year ends. Remember, the interest counts the same for tax whether it is paid out or credited to the account.

Dividend certificates – If you have company shares, the dividend income may lead to a tax liability. Since 2018/19 the "Dividend Allowance" has been £2000pa, so if you have dividends above this, some tax is likely to be due (unless you are on a low income generally). A dividend certificate is normally provided automatically with each dividend payment.

This is not all the documents that may be needed to check the tax calculation, but it should enable most people to check their calculation.

To check the P800 tax calculation you will need to check if the income on the documents listed above agree with the amounts on the tax calculation. You also need to make sure that you are happy that HMRC have given you all the allowances you are entitled to. Finally, sometimes the calculation will include other adjustments. If it does, there should be a note that accompanies the calculation to explain why there is an adjustment.

If you are happy that the figures are correct, then there is no need to contact HMRC, unless to arrange for payment of the liability or provide bank details to get the refund.

It is possible that HMRC may issue another form called a 'Simple Assessment'. What this form is and how it can be checked will be the subject of a later article.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on incomes below £20,000 a year. The Helpline number is 01308 488066.