



March 21

Self-Assessment - Late Filing Penalties.

Many of us are not required to complete an annual tax return as any tax due to HM Revenue and Customs (HMRC) can be collected under the PAYE system. This system operates for most pension or employment incomes, and deducts tax before payment is made. But for those who do need to complete a tax return for the tax year 2019/20, the deadline for filing online was originally 31st January 2021. HMRC's Chief Executive, Jim Harra, announced in January that there would not be any late filing penalties if those people who could not file by the 31st January 21, filed online by 28th February 2021. Every year there are a significant number of people who don't meet the deadline – in 2020 this was almost a million people. And as soon as the deadline has been missed, penalties begin to build up:

- An immediate late filing penalty of £100.
- Once the return is 3 months late, penalties of £10 per day begin for up to 90 days.
- Once the return is 6 months late, a further penalty of £300 or 5% of the tax due if higher.
- Once the return is 12 months late, another penalty of £300 or 5% of the tax due if higher. In serious cases, the penalty could be 100% of the tax due.

So, what action should you take if you are one of those who should have sent in a tax return by 28th February 2021 and failed to do so?

- Most importantly of all, don't ignore it in the hope it will go away. It won't.
- Don't just pay the £100 Late Filing Penalty and assume it's then all sorted. It isn't. HMRC will still want your tax return and penalties will continue to build up until it is filed.
- Don't just send in a paper tax return. The deadline for a paper tax return was earlier - 31st October 2020 – and if you now send in a paper tax return, HMRC will apply the penalties from that earlier date. It's best to file a late tax return on-line if you possibly can.

So if you are late with a tax return, you need to complete it as soon as possible, ideally on-line. That way, penalties will be capped and won't continue to build-up. It will also mean that if you want to submit an appeal against the penalties, then HMRC can properly consider any such appeal – whilst the tax return remains outstanding there is no way in which an appeal will even be considered by HMRC.

When it comes to appealing penalties HMRC has indicated that they will consider the following as examples of "reasonable excuse":

Difficulties caused by Covid 19:

- An unexpected stay in hospital preventing you from dealing with your tax affairs
- The death of a partner or close relative

or,

- A serious or life threatening illness or a disability that led to the delay

TAX HELP FOR OLDER PEOPLE

- Software failure when using the online filing system (or HMRC service issues in some circumstances)
- Fire, flood or theft preventing you from completing your tax return

However, be careful, as HMRC expects you to file the tax return as soon as you are able to, so don't delay getting your return in once the immediate crisis has passed and, if making an appeal, include details of the time of the event that has delayed the submission of your return.

Some people can end up being asked by HMRC to complete a tax return in error. The most common reasons for needing to complete a tax return are self-employment or property income over £1,000 pa, overseas income, and savings or investment income over £10,000 pa – but that is not an exhaustive list.

You could try HMRC's on-line checking tool at www.gov.uk/check-if-you-need-tax-return to see if you need to complete a tax return.

If you think that HMRC have made a mistake in asking you to complete a tax return then you need to contact HMRC to discuss this – do not just decide to ignore the request to file a tax return. Only HMRC can cancel a tax return once notice to file has been issued. HMRC's main phone line is 0300 200 3300 and their self-assessment helpline is 0300 200 3310.

If you are on a low income you may want to consider contacting one of the tax charities for help: Tax Help for Older People, 01308 488066 or, if you are under 60 years old, TaxAid, 0345 120 3779.

This article is by Tax Help for Older People Registered Charity no 1102276 (Scotland no SC045819), offering free tax advice to older people on a low income who cannot afford professional help.