



Self-Assessment - Late Filing and Late Payment Penalties.

Many of us are not required to complete an annual tax return as any tax due to Her Majesties 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 2020/21, the deadline for filing online was 31st January 2022. However, it was announced in January that due to the pandemic, just like last year, there would not be any late filing penalties, provided the online return was filed by 28th February 2022. Every year there are a considerable number of people who don't meet the deadline 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 three months late, penalties of £10 per day begin for up to 90 days.
- Once the return is six months late, a further penalty of £300 or 5% of the tax due if higher.
- Once the return is twelve 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 31st January 2022 and failed to do so?

- Most importantly of all, do not ignore it in the hope it will go away. It will not.
- Do not just pay the £100 Late Filing Penalty and assume it's then all sorted. It is not. HMRC will still want your tax return and penalties will continue to build up until it is filed.
- Do not just send in a paper tax return. The deadline for a paper tax return was earlier - 31st October 2021 – and if you now send in a paper tax return, HMRC will apply the penalties from that earlier date. It is best to file a late tax return online if you can.

So, if you are late with a tax return, you need to complete it as soon as possible, ideally online. That way, penalties will be capped and will not continue to build up. It will also mean that if you want to submit an appeal against the penalties, then HMRC can carefully 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
- 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 can, 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.

Once a Self-Assessment Tax Return has been filed then there is often (although not always) a tax bill to pay. The tax bill was due on 31st January 2022 and interest will be charged on any tax not paid by that date. In addition, a payment penalty will apply to any tax not paid on 1st April.

Those unable to pay the tax in one go can arrange with HMRC a time to pay option spreading the payments over a period of time. This can either be done online or by contacting the Self-Assessment Payment Helpline on 0300 200 3822.

However please note that although the payment deadline had been changed to 1st April 2022 if you had not paid or set up a time to pay arrangement by this date then HMRC will charge interest from 1st February 2022.

A full list of the payment methods you can use to pay your tax bill is available on the HMRC website <https://www.gov.uk/log-in-register-hmrc-online-services>.

If you are unsure as to whether you need to file a Tax Return you could try HMRC's online 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 over 60, you can contact Tax Help for Older People by calling the helpline on 01308 488066. The helpline is open 9.00 am to 5.00 pm Monday to Friday. If the line is busy, or you want to call outside office hours, then please leave a message and an adviser will call you back. You can also email us at taxvol@taxvol.org.uk

Alternatively, you can contact our sister charity, TaxAid, on the helpline number 0345 120 3779, and again please leave a message if the line is busy. This helpline is also open 9.00 am to 5.00 pm Monday to Friday. If you would prefer to send an email enquiry, please send it to help@taxaid.org.uk

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.