

# VOLUNTEER TAX GUIDE

*“I didn’t know where to turn to when the HMRC letters arrived. My husband used to deal with all these things. It’s all very daunting. What a relief to find Tax Help. The volunteer was amazing and had it all sorted out in the hour. I can sleep tonight”*

*The charity service providing FREE help and advice to older people with tax problems.*

2021/22

**TAX**  **HELP**

# USEFUL CONTACTS

## BRIDPORT HEADQUARTERS NUMBERS

**Main Helpline number:** 01308 488066 (Monday to Friday, 9am to 5pm)

**Website:** [www.taxvol.org.uk](http://www.taxvol.org.uk) **General email:** [taxvol@taxvol.org.uk](mailto:taxvol@taxvol.org.uk)

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Helpline / Tax Advisers	For general tax questions or process checks	01308 488066

Volunteer Support & Admin	What we can help with	Contact information
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Shila Wheeler: Bookings Co-ordinator	For appointment booking and client communications	<a href="mailto:shila.wheeler@taxvol.org.uk">shila.wheeler@taxvol.org.uk</a> 01308 487002
Marina Lee: Finance & Admin Officer	To submit/check your expenses	<a href="mailto:marina.lee@taxvol.org.uk">marina.lee@taxvol.org.uk</a> 01308 487004
Lynne Kitton: Admin Assistant CARs	To submit/check your CARs (Please password protect any email with client data)	<a href="mailto:lynne.kitton@taxvol.org.uk">lynne.kitton@taxvol.org.uk</a>

## HMRC

Fast Track 9am to 4:30pm (for use on behalf of Tax Help clients ONLY)	0300 322 9139
HMRC main contact centre	0300 200 3300
HMRC Self Assessment payment line	0300 200 3402
HMRC Miscellaneous payments line	0300 200 3854

Addresses:

To pay – HM Revenue and Customs Direct BX5 5BD

Anything else – PAYE & SA, HM Revenue and Customs BX9 1AS

## DEPARTMENT OF WORK & PENSIONS

Claiming your State Pension	0800 731 7898
Changes of circumstances	0345 606 0265
Pension Credit	0800 991 234
Attendance Allowance	0345 605 6055

## TAXAID

Monday to Friday 9am to 5pm	0345 120 3779
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## FOREWORD

This booklet is not intended to be a definitive guide to all the different topics that you may come across when dealing with an older client. Its main aim is to enable you to recognise common areas affecting the elderly client, and to give you a basic understanding of areas with which you may not be familiar.

As it is not a comprehensive review of taxation matters relating to the elderly, any queries should be referred to someone at HQ.

# ALLOWANCES

## Married Couple's Allowance (MCA)

Married Couple's Allowance (MCA) differs from the personal allowances in that it is used to reduce the amount of tax due and is only given at 10%. MCA is only available to couples where at least one member of the marriage or civil partnership was born before 6 April 1935. The maximum MCA that can be claimed is £9,415 (£941.50 off the tax bill) which is reduced depending on the level of total income. For those with an income which exceeds £31,400 the MCA is reduced by £1 for every £2 the total income is over the limit until the allowance reaches the minimum level of £3,640.

If you were married before 5th December 2005, the Married Couple's Allowance is automatically given to the husband; if on or after 5th December 2005, the MCA is given to the partner with the higher income.

In the year of marriage or formation of a civil partnership, HMRC reduces the entitlement to MCA by one twelfth for each complete tax month before the date of marriage or civil partnership. It is given in full in the year of separation, divorce or the death of either spouse/civil partner.

The MCA is often given as an allowance in the code number. For a 20% taxpayer the full allowance is shown as £4,708 (so that tax is reduced by £941.50). If the pensioner's income is greater than the income limit, an estimate of the income will be used to reduce the MCA. This means that the tax liability at the year-end may not be correct.

If they both agree, a couple can choose to transfer the whole of the minimum allowance to the other spouse or civil partner. In this case they will need to complete Form 18 – Transferring the Married Couple's Allowance – before the start of the tax year. If a partner has unused MCA in a tax year they can ask for the surplus to be transferred to their spouse or civil partner using Form 575 after the end of the tax year. Both of these transfers are generally executed using a person's tax code. (Form 575 can be downloaded from [www.gov.uk](http://www.gov.uk))

## Marriage Allowance (MA)

The Marriage Allowance (MA) was first introduced in the 2015/16 tax year. If you are entitled to the MCA, you cannot also claim this one. The Marriage Allowance can be claimed by a married couple or civil partnership where both partners are no more than basic rate tax payers. The lower earner can transfer a fixed 10% of their personal allowance, £1,260 in 2022/23 to the other. Doing so can only reduce the recipient's liability to nil, it cannot create a refund, e.g. Melinda only earns £6,800 a year working part-time, so has £5,770 of unused PA. She can therefore transfer £1,260 to her husband Gunther so long as his income does not exceed £50,270 (£43,662 in Scotland). A claim can be backdated for the usual 4 years, possible even if one of the couple has passed away.

Apply at [www.gov.uk/marriage-allowance](http://www.gov.uk/marriage-allowance) or, for those without access to a computer, call 0300 200 3300.

## Blind Person's Allowance (BPA)

In England & Wales the Blind Person's Allowance is not given automatically and must be claimed once the individual has registered with their local authority. To qualify, a person must be referred by their GP to a consultant ophthalmologist who will apply certain HMRC tests. If these are satisfied, the consultant will provide a severely sight impaired (SSI) certificate (you do not have to be completely blind) which is then given to the person's local social services allowing them to register as blind. If the consultant certifies the person as sight impaired (sometimes referred to as partially sighted) they will not be eligible for a Blind Person's Allowance.

In Scotland and Northern Ireland being registered blind means not being able to undertake any work for which eyesight is essential and a claim for BPA is made direct to HMRC on the helpline number.

On becoming registered blind (SSI) the individual will be able to claim the BPA for the tax year prior to registering providing the evidence for being blind (SSI) was obtained in that previous tax year. If one fails to claim the allowance promptly it can be backdated. The tax system presently allows for claims to be backdated for 4 years, meaning that a claim for 2018/19 must be made **by 5 April 2023**.

The allowance is given in full (unlike MCA) and not restricted if registration is part way through the year, meaning that the individual receives an extra £2,600 of tax-free allowance. Importantly any unused part of the BPA can be transferred to their spouse or civil partner on Form 575 if their income is insufficient to make use of the allowance. The eyesight of the other partner is irrelevant. In the event of death, the full year's allowance is available. Form 575 can be downloaded from [www.gov.uk](http://www.gov.uk).

## The 0% Savings Rate & Personal Savings Allowance

**Starting Rate for Savings (SR) – introduced 6 April 2015, when the 10% savings rate was abolished.**

The 0% starting rate for savings band for 2022/23 is £5,000, but it is restricted by non-savings taxable income. So, if non-savings income is more than £5,000 above the personal allowance the band isn't available. Also look out for the transfer of Marriage Allowance & Blind Person's Allowance if claimed, as that will affect this calculation (e.g. PA £12,570 less MA £1,260 = £11,310 + £5,000 = £16,310.)

**Personal Savings Allowance (PSA) – introduced 6 April 2016.**

This provides a £1,000 allowance on savings income for basic rate taxpayers and £500 for higher rate taxpayers. Additional rate taxpayers aren't eligible.

The two allowances work together and are dependent on a person's total taxable income.

The easiest way to establish if someone qualifies for the starting rate for savings is to add up their non-savings income; if it is below or within their personal allowance plus £5,000 then the starting rate for savings will apply.

If this doesn't cover all of their savings income then apply the personal savings allowance. To determine which rate of PSA a person is entitled to (including Scotland), add up their total taxable income and use the English Tax Bands; up to £50,270 use £1,000 and for £50,271 to £150,000 use £500. Tax at the appropriate rate, 20% or 40%.

Any interest over these amounts will be taxable at the appropriate rate and it is the taxpayer's responsibility to inform HMRC. Where possible the amount owed will be collected via their tax code, but where this isn't possible a Self-Assessment tax return will be required.

The following examples for 2022/23 explain the interactions between the SR and the PSA.

**Example 1:** Alex is 71 and has non-savings income of £11,000. In addition he receives £600 in savings income. His non-savings income is below £17,570 and the savings income is within the 0% savings rate of £5,000. He doesn't need to pay tax on his savings and doesn't have to do anything.

**Example 2:** If Alex's non-savings income is now £17,100. His non-savings income is below the £17,570 but he still has £470 of the 0% savings rate. The £130 not covered by the savings rate is covered by the personal savings allowance. He doesn't need to pay tax on his savings and doesn't have to do anything.

Example 3: If Alex's non-savings income is between £17,571 and £50,270 he will not be eligible for the 0% savings rate but his savings income will be covered by the personal savings allowance of £1,000. He doesn't need to pay tax on his savings and doesn't have to do anything.

Example 4: If Alex's non-savings income is between £50,271 and £150,000 he will not be eligible for the 0% savings rate and only £500 of his savings income will be covered by the personal savings allowance. The remaining £100 is taxable at 40% and he will need to contact HMRC to arrange payment.

## Trading Allowance

This allowance works in the same way as the property allowance on page 11 and may be useful for some of our clients. If profits are over £1,000 the case should be referred back to TaxAid on 0345 120 3779 as we don't cover business tax.

# TAX CODES

## Week 53 Payments

In some tax years, the way dates fall mean that employers/pension providers end up making one more payment than usual to their employees/pensioners at the end of the tax year. This can happen for employees/pensioners who are paid weekly, fortnightly or four-weekly. For:

- Weekly paid employees/pensioners, this would be a 53rd weekly payment (week 53 payment).
- Fortnightly paid employees/pensioners, it would be a 27th fortnightly payment (week 54 payment).
- Four-weekly paid employees/pensioners, it would be a 14th four-weekly payment (week 56 payment).

The general term used for all of these payments is a 'week 53' payment. When this happens, the Pay As You Earn (PAYE) tax process allows the employer/pension provider to give extra tax allowances to be used against this extra payment.

Extra allowances are given to make sure that the employee/pensioner takes home roughly the same amount of pay/pension as they would normally. If the extra allowances were not given, the employee/pensioner would take home less pay/pension than usual which may cause them hardship. Giving these extra allowances may mean the tax payer will under pay for that year as they have received more allowances for a tax year than they are entitled to.

When an underpayment arises, tax payers will be sent a P800. They will be given the option to pay the underpayment in one lump sum or have it coded in the following tax year if the income source is great enough.

## K Codes

Most people are familiar with the way that code numbers are used to collect tax from earnings and pensions by allocating a tax-free allowance over the tax year and paying tax on the balance. However, there may be cases where the State Retirement Pension or other untaxed income is greater than the personal allowances available. Unless special rules are applied then there could be a tax underpayment on the income not covered by the allowances.

For example, a 67 year old pensioner with a PA of £12,570 has a State Retirement Pension (SRP) of £13,570 and a personal pension of £3,000. The SRP is not taxed at source and is £1,000 higher than his personal allowance. The £1,000 needs to be taxed so HMRC will notionally add it to his

other income, in this case the £3,000 personal pension. HMRC will issue a negative tax code (called a K code), and the whole of the tax liability can then be collected from the personal pension. In this example the code number will be K99, since you remove the last digit from the notional addition and then deduct one from the answer.

It is important to check K codes as they create more problems than other tax codes. Furthermore, you should check the code numbers from every employment and pension provider to ensure that all the allowances are correctly given. The maximum tax HMRC can take via a PAYE code, including K codes, is 50% of the gross income.

## Dynamic Coding

Under the system of dynamic coding, potential underpayments are replaced with in-year adjustments. The tax codes are adjusted in-year to reflect changes in an individual's circumstances as soon as HMRC becomes aware of the change. In the past, the potential underpayment was reflected in the tax code for the following tax year; under dynamic coding, the code is changed in the same tax year.

If you are wondering how to check if a restriction will take the correct tax, the following may help. The trick is to work out what tax needs to be collected; this is easier if there are 12 months left in which to collect it as you just multiply the amount by 100/20. So, if there is a £50 underpayment 250 would be the adjustment to the code. However, it's not quite so simple when there are fewer months to collect the amount. So if the same £50 were to be collected over say 7 months you would divide the amount by the months it will be collected over ( $50/7 = 7.14$ ) then multiply this by 12 and then by 100/20 meaning that 428 would be the adjustment put in the code.

We are still to contemplate the effect in Scotland. We know that HMRC are going to use code adjustments to cope with the five tax rates but aren't sure how an underpayment will interact with this.

**HMRC won't run a dynamic code after 6th January because of the short period to collect large amounts. Also, the usual rules about not taking more than 50% of an income are the same.**

## BEREAVEMENT

### Telling HMRC about the death

Relatives or 'personal representatives' (PR) can tell HMRC about the death by various ways.

1. Use the **Tell Us Once** process. (This service is only available in England, Scotland & Wales.) The registrar will give out the number.
2. Tell HMRC by either writing to them or by calling the HMRC Bereavement Helpline on 0300 200 3300 – say 'bereavement' when prompted.

There is no need to send copies of the death certificate, the will or any other documents. HMRC will ask for documents if needed.

When someone dies, the personal representative is responsible for settling the deceased's financial affairs and for dealing with their estate.

In England, Wales and Northern Ireland this person is called the:

- executor – if the deceased left a will
- administrator – if there's no valid will



In Scotland the term executor is used whether or not there's a will. The term 'personal representative' covers both roles as the responsibilities are the same.

### **Dealing with tax to the date of death**

HMRC sends personalised letters once they have been informed of a death, and they allow for you to appoint someone to act on your behalf.

- The executor, personal representative or relative informs HMRC of a death – either through the 'Tell us Once' service or by calling HMRC.
- HMRC sends a letter to the executor, PR or – if not known – to the last known address of the deceased.
- If the deceased taxpayer was not in self-assessment the executor or PR should receive notification if there is a refund due to the estate or if tax is due from the estate. It is likely that there will be an overpayment and a refund is due – but sometimes there is an underpayment that will need to be paid out of the deceased's estate.
- The executor or PR should check the deceased's records, to make sure the amount due to be refunded or paid is correct (see below). If they cannot agree with a refund or underpayment they must make immediate contact with HMRC and discuss the matter.
- The executor or PR should receive any refund or a payment slip.
- For those in self-assessment the letters sent by HMRC should match their individual circumstances. In most cases the executor will be asked to complete a Self-Assessment tax return.

### **Checking the tax calculation sent by HMRC**

Check the calculation in the same way as described below for year-end reconciliations, taking note of the date of death in respect of the entitlement to income.

- Check against the final statements from pension providers, employers, DWP, etc.
- Check income from savings as HMRC may have out of date savings income.
- Check if there are any adjustments listed and that they are real, as they often appear for no reason.
- Question anything that doesn't make sense.

It isn't too late to ask for employer or HMRC error as appropriate (as described above).

### **Survivor's tax position**

It is important to review the survivor's tax situation as this usually changes. It is not unusual for a non-taxpayer to become a taxpayer because they have inherited income. The survivor will need to make sure that HMRC are aware of their changed circumstances and this is best done when they know the amount of new or changed sources. Usually what is needed is a check of newly issued tax codes that take into account the changed circumstances and level and/or sources of income.

### **Married Couple's Allowance, Blind Person's Allowance and Marriage Allowance**

When reviewing the income of the deceased and survivor it is important to review what allowances have been claimed or could be claimed, i.e. in the year of death the full MCA and BPA can be claimed, but it may be that the reduced income of the deceased taxpayer means that not all the allowance is needed. That being the case it is possible to transfer the remainder to the surviving spouse.

This transfer is achieved by completing Form 575 Notice of transfer of surplus income tax allowance.

Please note it is possible to claim the allowances above retrospectively for all 'in time' years.

### **If the deceased used to complete a Form R40**

If R40 repayment claims were made by the deceased, this form can also be completed by the personal representative to claim a repayment of tax for the year in which a person died. Contact HMRC as necessary.

When someone dies it is possible to claim certain benefits, if you are eligible. Call the DWP Bereavement Service on 0800 731 0469, option 2.

There is a Tax Help guide available on bereavement which provides this and further information for clients and this is available on the website or by post; please ask them to contact HQ for a copy.

## **PENSIONS**

### **The Changes from 6 April 2015**

#### **1. Defined Contribution or Money Purchase Scheme changes**

Changes introduced from 6 April 2015 allow people to access their pension savings more freely and easily than before.

If you have a 'defined contribution pension' or 'money purchase scheme', and are over 55, your pension provider might allow you to take what you like when you like from your pension.

The rules of some pension schemes do not allow withdrawal of some sums, even though the tax rules now allow them. Pension providers have been permitted by law to override their own rules, but they do not have to do so. This means that your pension provider might refuse to do some of the things that the general pension rules allow.

However, where the changes are allowed, the main changes include:

- Flexible access to pensions from the age of 55
- Freedom in the way 'tax-free' cash can be taken
- Removing restrictions on 'drawdown' arrangements
- Abolition of the 55% pension 'death tax'

The new flexibility on drawing down benefits from eligible pension schemes means that the following options are available:

- To withdraw all of the money in one go.
- Leave it in the scheme and take a regular or occasional income.
- Buy an annuity or enter into a 'drawdown' arrangement.

or,

- A combination of all three.

How these options are taxed and the paper work needed is covered in our 'Pension Flexibility and Taxation' booklet. The booklet also covers much more detail around the additional changes on drawdowns and small pots and changes around how the remaining funds in pension schemes are taxed on death.

## 2. Final salary pension changes – trivial commutations

The changes above mostly do NOT cover defined benefit schemes, often known as final salary pensions. These are pensions where the money you take from them is worked out based upon how much you earned with an employer and how long you were a scheme member. However, there are separate changes on accessing benefits from final salary pension schemes.

A 'trivial commutation' is where you have saved up only a small amount in your pension and are then allowed to take your pension benefit as a lump sum instead of a regular pension income.

A payment is called 'trivial' if the value of all an individual's pension 'pots' is below £30,000 and it is taken as a lump sum. With final salary schemes, you don't have your own 'pot' as such. The valuation of benefits in a final salary scheme for testing against the triviality limit is based on the pension you could receive multiplied by 20. However, the lump sum that is then paid to you is broadly equivalent to the amount that would be available to transfer to a new scheme.

Any lump sum paid in this way has 25% of the payment paid tax-free with the rest taxed as normal income.

Again, more details are included in our Pension Flexibility booklet.

## Foreign Pensions

Foreign pensions will be more closely aligned with the UK's domestic pension tax regime by bringing foreign pensions and lump sums fully into tax for UK residents. This includes, from 2017/18 removing the rule under which previously only 90% of foreign pension income was charged to income tax.

The impact of double tax agreements on how different types of pensions are taxed varies from country to country and the rules can be very complex. All cases involving foreign pensions should be referred to HQ for checking.

### German Social Security/State Pensions

These pensions **no longer need to be declared in the UK**, unless they were in force before 6 April 2011 and the client chooses to stay on their current arrangements.

We recommend that you advise Tax Help clients to inform the Neubrandenburg Tax Office that they are resident in the UK and ask if they need to declare the income in Germany. We understand that, where there isn't an annual personal allowance in Germany the first part of these pensions (around 9,408 euro, 2020) will not be taxed in Germany. If the German tax authorities say they are not going to tax the pension it should be declared in the UK. HMRC will then advise, and we recommend that the reply is kept. Where the pension has been incorrectly declared in the UK it is possible to claim this back from HMRC by submitting a claim for overpayment relief under Schedule 1AB of the Taxes Management Act 1970. Please note that the 17/18 tax year goes out of time on **5 April 2022**.

## PROPERTY LETTING

Taxation on income from property applies to income from letting furnished and unfurnished residential properties, commercial properties and land. A taxpayer has a requirement to advise HMRC of all taxable sources of income. All sources are combined for tax purposes. If the rental income is greater than £10,000 or the profit after allowable expenses is greater than £2,500, a Self-Assessment tax return will have to be completed, even where total income is below their personal allowance. If the income falls below these limits, HMRC still have to be informed but they may be able to collect the tax due by a tax code.

The property allowance of £1,000 means that where the allowances cover all of an individual's relevant income (before expenses) then they may no longer have to declare or pay tax on it.

Allowable expenses include insurance, repairs and maintenance (but not improvements) and replacement of furniture in a furnished property.

From April 2017 finance costs (including mortgage and loan interest for furnishings) on residential properties are being restricted to the basic rate tax. Landlords will instead receive a basic rate reduction from their income tax liability for their finance costs.

In 2019/20 the deduction from property income was restricted to 25% of finance costs, with the remaining 75% being available as a basic rate tax reduction. This was restricted until 2020/21 when all financing costs will be given as a basic rate tax reduction.

(See our training notes on property and rent-a-room income and the property allowance which can be found on our website in the members' area/tech zone).

### **Rent-a-Room**

Renting a room or rooms in your own home is also subject to tax but with a more favourable tax treatment. Rent up to £7,500 per year will be non-taxable (£3,750 if jointly owned), with rent in excess of this taxed in one of two ways. Either, the rental income can be reduced by allowable expenses in the normal way or the landlord can elect on the Self Assessment tax return to pay tax on the excess over £7,500. Whichever route is more beneficial can be used and it is also possible to switch between the two options from one tax year to the next, by amending the election.

## **YEAR END PAYE RECONCILIATIONS (P800s AND PA302s – SIMPLE ASSESSMENT)**

At the end of every tax year employers and pension providers send HMRC details of how much income has been paid, including the tax paid and company benefits provided during the year. If the right amount of tax has not been paid, the taxpayer will receive a P800 or PA302 tax calculation telling them what HMRC considers the correct amount to be and whether too much or too little tax has been paid. They will receive a P800 for repayments and for where an underpayment can be coded in the following year. PA302s are issued where the amount to be collected is over £3,000 or where it isn't possible for HMRC to code it out, and also for pensioners with large state pensions where the tax can't be collected via a tax code. The PA302 gives HMRC the power to collect an underpayment without using the self-assessment system. PAYE calculations are not usually issued for amounts under the tolerance of £50.

### **Checking the tax calculations**

You need to check the entries on the P800 or PA302 tax calculation carefully to make sure all the income and any taxable benefits or expenses are listed and the amounts are correct. You also need to make sure that the tax shown as paid under PAYE and the tax allowances are correct. HMRC may not have all the information they need to calculate the tax correctly, for example because the taxpayer's circumstances have changed, so it's important that you check the calculation to make sure the information in it is complete and correct.

To check the details on the calculation, use the following items; P60s, P45s, P11Ds & Bank / Building Society Statements and DWP notifications of State Retirement pensions. Fast Track (get consent before calling) can supply PAYE income details if the taxpayer does not have all the P60s or State Retirement figures, rather than writing to HMRC or pension provider or arranging a second appointment with the client.

If the calculation is incorrect, because the income or allowances are inaccurate raise this with HMRC by using Fast Track in order to correct the information. If the information has been supplied by a third party, usually the third party will have to correct the information supplied to HMRC.

Often the tax calculation is correct, but watch out for the Marriage Allowance and bank interest and make sure these are correctly included on the tax calculation.

### **Review why it has been necessary for HMRC to issue the tax calculation**

When you are happy that that the P800 or PA302 is correct, but a tax liability is still due, you need to consider why the correct tax was not collected during the year.

Common errors that give rise to the necessity to issue a P800 or PA302:

- State retirement pension has been incorrectly taxed or not taxed at all
- multiple income sources wrongly coded or given dual personal allowances
- those in receipt of the Married Couple's Allowance (MCA) who have underpaid tax because HMRC have failed to operate the 10% restriction
- savings interest recorded incorrectly

Depending on the reason for the issue of the tax calculation, it may be possible to make a claim for either employer error (Regulation 72) or HMRC error or delay (Extra-Statutory Concession (ESC) A19).

In order to understand if it is possible to make a claim it is necessary to understand the PAYE process.

PAYE is a three-party process and its operation is set out in law, together with each party's responsibilities. Information can pass between all three and sometimes the system breaks down. It can be a very difficult task for the employee or pensioner, in receipt of an underpayment P800 calculation from HMRC to work out why it has arisen. Usually, they think everything is fine until, out of the blue, they are told otherwise.

Any of the three parties in the process could have been at fault:

- The taxpayer might not have told HMRC about something affecting their tax affairs
- HMRC might not have acted upon information in their possession to get their tax right or made some error in doing so (HMRC error –ESC A19)
- Their employer or pension payer might not have followed the rules correctly (employer error - Regulation 72)

### **Which claim to make: understand what has given rise to the underpayment**

Often the easiest way to understand what has caused the problem is to ask HMRC for a full explanation as to why the underpayment arose.

The explanation is likely to include the following:

- The employer may not have operated the PAYE code issued by HMRC. Have a look at any coding notices the client received from HMRC and compare them to the 'final tax code' box on the P60s.
- When someone is made bankrupt, HMRC will operate a code of NT (i.e. no tax deducted). When their bankruptcy is discharged HMRC should amend the code numbers to collect the correct tax again.
- Did they hand in a P45 when they started a new job? Did the code used by the new employer match the one on the P45?

- If they did not have a P45 when they started a new job or a pension started, was the starter form completed correctly? Do you think their employer used the right tax code based on the answers they gave?
- The P800 calculation might have included a note to say that they have been given more than one personal allowance on different sources of income. There are a number of ways this can happen, but it could be an indication of employer or pension payer error.
- Did HMRC have all the information they needed to get their tax right in the past? HMRC should have received details of taxable state benefits from the Department for Work and Pensions (DWP) and pay and pension details from employers/pension payers. Did the information transfer correctly?
- They might have provided HMRC directly - by letter or telephone call - with information that it then failed to use.
- Perhaps they contacted HMRC about their tax codes and HMRC failed to act on the information they provided or they were told that everything was correct?
- Have HMRC repeatedly failed to use information supplied to them?
- Particularly where they have various sources of income, HMRC should send them a P2 Notice of Coding each year covering each source – did they receive it?

### **Which claim to make: consider Extra-Statutory Concession A19 (HMRC error)**

HMRC should look at HMRC error first. To make the claim, please see below.

Extra-Statutory Concession A19 covers situations where an error or administrative failure of HMRC resulted in someone paying too little income tax or capital gains tax. Devised to ensure fairness for taxpayers where the strict law says that they owe tax but it would be unfair to pursue payment.

ESC A19 usually only applies to underpayments for tax years ending more than 12 months after the end of the tax year to which it relates, for example, you cannot normally use ESC A19 to ask for tax owing for 2021/22 to be written off until after 5 April 2023. However, if HMRC have persistently got something wrong year after year, we would expect them to consider writing the tax off for all years up to and including 2021/22 unless they corrected the error before the end of the 2021/22 tax year. So if you underpaid tax in earlier tax years, and an underpayment in 2020/21 again occurred for the same reasons, ESC A19 might apply. The subjective element is less easy to satisfy; whether HMRC write off the tax depends on whether they think it was reasonable for the person to have believed their tax affairs were in order.

The question is not whether they did in fact believe that their affairs were in order, but whether it was *reasonable* for them to believe they were. Importantly, this ‘reasonable belief’ test should be applied by looking at the person as an individual. HMRC’s internal guidance requires their officers to consider the following factors when applying the reasonableness test:

- The size of the arrears and what caused them
- What information HMRC has sent the taxpayer over the years, such as coding notices, explanatory leaflets, etc.
- Whether HMRC has given the taxpayer wrong or misleading advice
- Whether HMRC’s actions have muddled the case or made it hard to follow (for example, issuing multiple or incorrect coding notices)
- Whether the taxpayer has been professionally represented (in which case it may be harder to argue that they reasonably thought their affairs were in order)

- Reasonable belief may change over time (i.e., it may be reasonable for a taxpayer to think their affairs in order in one year, but if circumstances change the question may have to be considered again)
- The taxpayer's likely level of understanding of tax, taking into account factors such as the taxpayer's background, age, state of health, etc.

HMRC's internal instructions conclude: 'if the issue is so finely balanced that it is hard to form a judgment, always give the taxpayer the benefit of the doubt'. For examples visit our website.

### **Which claim to make: Employer Error - Regulation 72**

If the employer or pension provider has not deducted enough tax it is possible to ask HMRC not to seek the collection of the tax from the pensioner or employee. If the employer or pension provider is at fault HMRC will pursue them for the tax instead of your client. To make this claim, please see below.

The most likely issues around employer or pension provider error are:

- That the employer or pension provider deliberately failed to deduct the right amount of tax from your client and they knew about it, e.g. because they didn't take reasonable care to use the right tax code.
- HMRC may regard that the employer or pension provider is at fault but conclude from their investigations that the employer or pension provider acted 'in good faith' and 'took reasonable care' to operate PAYE correctly. When considering whether an employer or pension payer has taken reasonable care HMRC should look to see how that employer or pension payer has been handling the PAYE obligations of other employees or pensioners. Also, whether returns have been accurate and on time and whether the error in your case has been replicated with others. It would be reasonable for you to ask the extent of HMRC investigations.

### **Making the claim**

The easiest way to make a claim is to provide the wording of your claim to HQ and we can forward it to HMRC by secure email. You can also write to HMRC, however the advantage of the secure email is that it will receive a response from HMRC in 5-10 working days. We also suggest when you prepare the claim to make it clear that you wish them to suspend any action to collect the tax they say your client owes while they review the case. But if the client is put into self-assessment don't ignore it, as penalties and interest then become a problem.

To make the claim ask HMRC to consider HMRC error (ESC A19) first and then if they feel it does not apply to look to see if there is an employer error. If they believe this is a possibility they should investigate with the employer.

Once the claim has been submitted, HMRC will consider the claims you have made and respond accordingly.

Please note, if the client is worried about payment explain that paying off any PAYE arrears before your ESC A19 application has been considered will allow HMRC to claim that there are no longer any arrears in respect of which ESC A19 can apply, and thus refuse to consider the concession. If they do decide to pay something towards the arrears, make sure HMRC know in writing that it is a 'payment on account' and made without prejudice to their ESC A19 claim.

### **Result of the claim**

If HMRC conclude from the review of the employer error claim that the employer is at fault but acted in good faith, or that the incorrect tax was deducted but the client knew about it, HMRC will need to issue a formal notice (a 'Direction') to both your client and their employer or pension payer that the client should pay the tax. They then have a right to appeal in writing to HMRC within 30 days

against their Direction, either by way of HMRC's internal review system or an independent tribunal. More information on appeals generally can be found in the 'When things go wrong' section of our website.

It is also possible that a tax underpayment has arisen for more than one reason – in which case, HMRC might consider that part of it is due to an employer or pension payer error, and part for other reasons. They could then treat each part of the tax bill differently, for example, by agreeing to pursue the employer or pension payer for part of it and still asking the taxpayer for the balance, or perhaps agreeing HMRC error. Please take care as the employer may seek to recover tax paid to HMRC under a Direction by deducting from employees through payroll.

If you think that HMRC are wrong in their decision you can ask them to review it, particularly if the client will struggle to pay the underpayment because their income is low or if they have particular vulnerabilities. If this is the case you should ask HMRC to consider these factors when you ask them to review the claim.

Our website gives more information on the HMRC complaints process, should this be necessary. However, if your initial complaint is not upheld please contact HQ before following the next steps in the complaint process, as HQ will be able to advise on the next steps and the most efficient method to achieve an appropriate result for the client.

## WORLDWIDE DISCLOSURE

HMRC started the Worldwide Disclosure campaign in September 2016, to encourage taxpayers to put their UK tax affairs right if they had not declared all of the UK tax liabilities that related to offshore income or gains.

In the Finance Bill of September 2017, the campaign was assisted by the Requirement to Correct legislation (RTC) which required anyone with undeclared UK income tax, Capital Gains Tax or Inheritance Tax liabilities in respect of offshore matters, to correct their position by 30 September 2018. This date was chosen because it was the date by which more than 100 countries were to exchange data on financial accounts under the OECDs Common Reporting Standard. This means HMRC are being provided with information from bank accounts, investments and trusts from around the world. Where the correction has not been done or notified to HMRC by 30 September 2018, Failure to Correct (FTC) penalties will apply in most cases. The FTC penalties applicable to disclosures made after 30 September 2018 are significantly greater than those that would have applied before 30 September, although there is some scope to appeal the level of penalty charged.

At Tax Help, where a client asks for help to disclose income from abroad which has not previously been disclosed, we will only help those whose income - including the undeclared income - is below £20k for each year concerned.

If you get one of these cases you can find a full guide on our website in the members' area/ tech zone. There is a new guide to explain the rules taking account of the changes after 30 September 2018. Key issues are clarity around how many years need to be disclosed and what penalty regime to follow. If you are still uncertain of the correct position to take when a case is allocated to you, please contact HQ.



# SIGNPOSTING

You should be aware when speaking to clients that other agencies may be able to offer more appropriate, or additional help or support, than we can.

The organisations we most commonly signpost a client to are:

- Age UK
- Citizens Advice
- DWP
- Their local authority
- Other charities such as RNIB
- Their pension provider
- TaxAid

We are not able to pass client details on to these organisations, but the client can make contact themselves direct.

Examples where someone may be signposted include:

- Making a claim for Attendance Allowance or Personal Independence Payments
- Contacting RNIB and the local authority regarding additional aids if they are claiming Blind Person's Allowance (see local telephone directory or websites for contact details)
- Making a claim to DWP for Pension Credits based on an assessment of their income
- Making an application to the local authority for a Blue Badge even when not claiming other allowances (see local telephone directory or local authority website for contact details)
- For anything which gives rise to concern about a client's welfare, please contact HQ before taking any further action.

Business tax issues should be referred to TaxAid. Contact HQ if the case we have sent you turns out to be business related.

# FAST TRACK PROCEDURES

The Fast Track service is based in Portsmouth and will be answered by an HMRC Officer who is trained at a competent level in PAYE/SA. Opening hours are 9am to 4.30pm and there is only one telephone number for all calls: 0300 322 9139.

You cannot contact Fast Track until you have first obtained the client's authorisation. Ask the client to sign the Fast Track Consent form (downloadable from our website) and once the form is completed and signed, especially the date and time which should be before your call, you can use Fast Track. Please return the **SIGNED DOCUMENT** to HQ as soon as possible – a scan is acceptable but keep the master copy safe. *We are audited by HMRC on this process and failure could mean loss of service.* If it is easier, you can ask HQ staff to contact the client to obtain an oral recorded authorisation.

All volunteers are registered with Fast Track and when contacting them you will be asked for your name and two digits from your PIN. You will be asked for the client's full name, address including postcode, NI number (NINO) and date of birth.

Fast Track can be used for most things but often to get missing information such as state pension, other pensions and employment details, as well as for checking, amending and issuing coding notices. You can also use Fast Track to close down or issue Self-Assessment tax returns as well as for debt cases as the team will be able to deal with the easier debt cases; more complicated debt cases being passed to Debt Management & Banking (DMB) for specialist help. Please note: Fast Track are also able to put you in touch with Business Compliance.

## ONLINE SA FILING FACILITY AT HEADQUARTERS

As you will be aware the **deadline for filing paper tax returns is 31 October following the end of the tax year. Anyone filing on paper after that date will automatically receive a £100 penalty.** This can be appealed but the person will need a good reason.

Once the 31 October deadline has passed, the only way to avoid the penalty is to help the client to file online.

There are two options open to you

1. Help the client use their own/family computer. They will need to have applied for and received their activation code or, if this is not possible
2. Use our Taxfiler system to complete and submit the client's tax return. Contact HQ and ask us to set you up on Taxfiler, let us know which client(s) you also wish us to set up on Taxfiler, we will then email you your login details and 'How to' instructions.

N.B. If you are already registered to use Taxfiler, through your own business or employment, you will need a different email address to register and use it on behalf of Tax Help.

**If you do not have access to a computer**, collect the necessary information from the client and ask HQ to file through Taxfiler in plenty of time before the deadline as a signed declaration is needed from the client before the return is submitted. Use a paper form to ensure you collect everything, not forgetting the pension info that is required for Box 19.

### Timeline for Late Filing Penalties

#### Paper Filers

File by 31<sup>st</sup> October  
File by 31<sup>st</sup> January (3 months)  
File by 30<sup>th</sup> April (6 months)  
File by 31<sup>st</sup> October (12 months)

#### Penalty if missed

£100  
£10 per day max £900  
5% of tax due (lost revenue)  
See below – over 12 months

#### Online Filers

File by 31<sup>st</sup> Jan  
File by 30<sup>th</sup> April (3 months)  
File by 31<sup>st</sup> July (6 months)  
File by 31<sup>st</sup> January (12 months)

£100  
£10 per day max £900  
5% of tax due (lost revenue)  
See below – over 12 months

Over 12 months (Both):

If filing 12 months late, the charge is another £300 (or 5% of the tax owing if this is greater). In exceptional circumstances a higher penalty of up to 100% of the tax due is possible

# CLIENT ADVICE RECORD (CAR)

## Please return CARs within 30 days of receiving them

You should receive a pre-populated CAR for each client you see. It is essential that all advice given to Tax Help clients is recorded, both in the interests of good professional practice, and for statistical and monitoring purposes. This allows us to analyse and keep track of the tax problems older people on low incomes face, and to gauge the demand for our services.

Please follow the process below

1. After the initial contact with a client, **if the case is closed, complete the CAR with as much information as possible, giving all income details and noting the issue and action taken (see notes below) and send it to HQ either electronically or in paper format. If the case is ongoing just let us know what action you are taking**, you can let us have the detail at the end.
2. Make sure you check the boxes for 'case closed or case ongoing'. Choose case closed if you do not expect to make further contact with the client, i.e. the issue is resolved. Choose ongoing if you know you need to follow up on any agreed action.
3. When you have completed the case, send in a final CAR checking the 'case closed' box. There is a section so that you can log extra appointments. If the case is ongoing for a long time please feel free to let us have this information earlier by email.
4. If a client comes back directly to you rather than via the helpline, either on a new issue or for help in another year, go back to number 1 and start again.

Following this process will mean that a client's record is as up to date as possible and we will have recorded all the work you do. The latter is extremely important when we are approaching organisations and HMRC for funding.

## FRONT PAGE (Example CARs can be found in the members' area of the website)

### Client Details (top section of form)

A client's personal details will be completed on the database at the time the appointment is made. However, details taken over the phone can sometimes be incorrectly recorded. With this in mind, please check the details while you are with the client. We need to know full name, D.O.B, NINO and/or UTR, age band, marital status, and whether they are disabled.

Referral Boxes – If a client has been referred to us by another organisation or they have read about us in the media, please record the organisation/media in the 'Referred From' box. If you decide to refer a client to another organisation please record the organisation in the 'Referred to' box.

### Advice session details

Please record your name along with the date, time, length and type of appointment and also noting the venue if carried out as part of a surgery session.

If you require the team at HQ to take any action **it is important to make a note in the box provided**. This is a 'quick alert' to the team opening the post/email and will mean that the record is separated from the quality checking pile, where it may otherwise sit for a while before being read.

### Refunds/Remissions and Underpayments

If you know the client is due a refund, has an underpayment or is due a remission please record the figure in the boxes provided. It is a powerful statistic for fundraising purposes.

### **Fast Track details**

Tick if you have used the service, attaching the scanned or master HMRC Fast Track Consent Form (which must be dated and signed before using the service). Also tick the appropriate box if your issue was resolved immediately, noting the reference number and date of call. All will be recorded on the client screen on our database.

### **Case management**

Record if the case is ongoing or closed.

Ongoing Case – Interim CAR – work is not completed when CAR is returned to HQ, e.g. an ongoing ESC A19 case or appeal.

Closed Case – You have completed all work on the case.

### **Waiting for HMRC to respond**

If you have agreed to contact a client regarding a result or further action you should leave the case open. However, if it is left up to the client to contact you then you may want to close the case.

### **Action to be taken and by whom**

Record what action is required by when and by whom. If you require the team at HQ to do something **it is important to also make a note in the appropriate box on the front page**. If you are asking us to put in an appeal don't forget to tell us 'on what grounds'.

## **SECOND PAGE**

### **Advice given**

Record your advice including any **CALCULATIONS** and attaching pages as necessary. As well as being used for our purposes in understanding a client's tax issues this record is quality checked internally and may be randomly selected for external audit. **It is important that the notes give enough information for a quality reviewer to be comfortable that the correct tax advice has been given in the context of the problem as described.**

### **Client comments (qualitative)**

Record any client comments on the value of our/your service. The data is mainly used for funding purposes to try and express the real benefits to our clients of being able to access free, sympathetic and professional advice to resolve their tax issues.

## **THIRD PAGE**

Here, we ask that you check (tick) the boxes depending on the advice you gave to the client. If your issue isn't listed please make this clear in the advice section on page 2.

Don't forget the conflict of interest boxes. Yes or no **MUST** be ticked.

## ALLOWANCES AND RATE BANDS

	2022/23	2021/22	2020/21	2019/20	2018/19
<b>Personal Allowance</b>	12,570	12,570	12,500	12,500	11,850
<b>Married Couple's Allowance</b>					
Abatement income level	31,400	30,400	30,200	29,600	28,900
Born before 6 April 1935	9,415	9,125	9,075	8,915	8,695
Minimum amount of allowance	3,640	3,530	3,510	3,450	3,360
Abatement income ceiling	42,950	41,590	41,330	40,530	39,570
<b>Personal Savings Allowance<sup>1</sup></b>	1,000	1,000	1,000	1,000	1,000
<b>Blind Person's Allowance</b>	2,600	2,520	2,500	2,450	2,390
<b>Marriage Allowance</b>	1,260	1,260	1,250	1,250	1,190
<b>Dividend Allowance<sup>2</sup></b>	2,000	2,000	2,000	2,000	2,000
<b>'Rent-a-room' limit</b>	7,500	7,500	7,500	7,500	7,500
<b>Trivial Commutation - DB Pensions - Pension pot limit</b>	30,000	30,000	30,000	30,000	30,000

### Tax Bands for England, Scotland and Wales 2022/23

Band	Band name	Tax Rate		
		Scotland	Wales	Rest of UK
£12,571* - £14,732	Starter Rate	19%		
£12,571 - £50,000	Basic Rate		20%	20%
£14,733* - £25,688	Scottish Basic Rate	20%		
£25,369* - £43,662	Intermediate Rate	21%		
£43,663 - £150,000	Higher Rate	41%		
£50,271 - £150,000	Higher Rate		40%	40%
Above £150,000	Top Rate	46%		
Above £150,000	Additional Rate		45%	45%

<sup>1</sup> £500 for higher rate taxpayers, zero for additional rate

<sup>2</sup> Dividends taxed at 8.25% BRB, 33.75% HRB & 39.35% ARB

\* This assumes you are entitled to the UK personal allowance. The starter, basic and intermediate rate bands together for Scottish income tax are £31,092 (£12,570 + £31,092 = £43,662)

# BENEFITS

	2022/23	2021/22	2020/21	2019/20	2018/19
<b>TAXABLE BENEFITS (WEEKLY AMOUNTS)</b>					
Old Basic State Pension	141.85	137.60	134.25	129.20	125.95
New Basic State Pension <sup>1</sup>	185.15	179.60	175.20	168.60	164.35
Spouse's pension/non-contributory	85.00	82.45	80.45	77.45	75.50
Addition at age 80	0.25	0.25	0.25	0.25	0.25
<b>Widow's Benefit:</b>					
Widowed Parent's Allowance	126.35	122.55	121.95	119.90	117.10
Widow's Pension (Standard rate)	126.35	122.55	121.95	119.90	117.10
Carer's Allowance	69.70	67.60	67.52	66.15	64.60
<b>Employment and Support Allowance/Jobseeker's Allowance</b>					
Under 25	61.05	59.20	58.90	57.90	57.90
25 or over	77.00	74.70	74.35	73.10	73.10
<b>NON-TAXABLE BENEFITS (WEEKLY AMOUNTS)</b>					
<b>Pension Credit:</b>					
Single	182.60	177.10	173.75	167.24	163.00
Couple	278.70	270.30	265.20	255.25	248.80
<b>Attendance Allowance:</b>					
Higher rate	92.40	89.60	89.15	87.65	85.60
Lower rate	61.85	60.00	59.70	58.70	57.30
<b>Disability Living Allowance:</b>					
Care Component - Highest	92.40	89.60	89.15	87.65	85.60
Care Component - Middle	61.85	60.00	59.70	58.70	57.30
Care Component - Lowest	24.45	23.70	23.60	23.20	22.65
Mobility Component - Higher	64.50	62.55	62.25	61.20	59.75
Mobility Component - Lower	24.45	23.70	23.60	23.20	22.65
<b>Personal Independence Payments:</b>					
Daily living - enhanced	92.40	89.60	89.15	87.65	85.60
Daily living - standard	61.85	60.00	59.70	58.70	57.30
Mobility - enhanced	64.50	62.55	62.25	61.20	59.75
Mobility - standard	24.45	23.70	23.60	23.20	22.65
<p><b>Universal Credit</b> - is non-taxable and incorporates six non-taxable benefits – Child Tax Credit, Housing Benefit, Income Support, income-based Jobseeker's Allowance (JSA), income-related Employment and Support Allowance (ESA) and Working Tax Credit.</p> <p>For benefit advice you should direct clients to either HMRC/DWP (the numbers can be found on gov.uk), Age UK on 0800 055 6112 (Advice Line) or their local Citizens Advice.</p>					

<sup>1</sup> State pensions claimed from 6 April 2016. Not everyone will get this amount.



**Tax Help for Older People**

**Pineapple Business Park, Salway Ash, Bridport, Dorset DT6 5DB**

**Tel: 01308 488066**

**Email: [taxvol@taxvol.org.uk](mailto:taxvol@taxvol.org.uk) Website: [www.taxvol.org.uk](http://www.taxvol.org.uk)**

*Tax Help for Older People is a service provided by the charity Tax Volunteers, for older people on a lower income.*

*Tax Volunteers is a company limited by guarantee*

*Company No. 4894491 England and Wales*

*Charity registered in England and Wales No. 1102276 Charity registered in Scotland No. SC045819*

*Registered office: Unit 10 Pineapple Business Park, Salway Ash, Bridport Dorset DT6 5DB*