

Do Not Stress about Self Assess.

Her Majesty's Revenue & Customs (HMRC) are now looking to phase out self-assessments in respect of tax returns. This may on the face of it seem like good news to the 11 million tax payers who have to fill out self-assessment returns each year. However, in reality, only a few people will be able to benefit from the new regime as the self-assessment system will remain in place for those people who pay tax other than through the PAYE. Thus, the usual suspects of self-employed individuals and private landlords will still be caught by self-assessment.

The people who no longer have to fill out self-assessments will fall into two categories. Firstly, you will have those individuals who are subject to the PAYE system but for various reasons HMRC forms the view they have underpaid tax. In such circumstances without self-assessment there is no mechanism for HMRC to collect the under paid tax. Without self assessment a tax payer would need to volunteer the unrepaid tax to HMRC which in reality would never happen. The other group of people are pensioners, who's state pension is more than their personal allowance.

In respect of the two categories above, HMRC will determine what additional tax is payable without self assessment and it will be reliant on information and data which it holds and/or which is supplied by employers, pension providers and the Department for Work and Pensions.

The new simpler system will benefit only a limited group of people. Thus, for those lucky few this sounds like good news, but those individuals will only have 60 days to decide if their tax bill is right or wrong. If the tax bill is wrong, there are still some options, which include a further 30 days to make a formal appeal. If those individuals are not able to do this, then they will need to demonstrate a good reason to show they qualify for an over-payment relief.

In short, what could have been streamlined system for tax collection cutting through burdensome requirements for disclosure may be become oppressive but only time will tell.