

January 2022

HMRC POSTPONES LATE SELF-ASSESSMENT PENALTIES BY ONE MONTH

For the second year in a row, HM Revenue & Customs (HMRC) has announced that they will not charge the usual automatic late filing penalty of £100 for any 2020/21 Tax Returns that are not filed by 31 January 2022, as long as they are filed by 28 February 2022.

HMRC had come under increasing pressure from various bodies this time last year, including the Institute of Chartered Accountants and the Chartered Institute of Tax, to delay the filing deadline due to the pressures which a lot of businesses and individuals were facing as a result of the Coronavirus pandemic. No doubt HMRC thought at that time that such measures would hopefully not be needed in to 2022 but the emergence of the Omicron variant has meant the pandemic has continued to cause a huge amount of disruption for businesses and individuals alike over the past number of weeks.

As a result, HMRC announced on 6 January 2022 that they will not charge late filing penalties for those who file online by 28 February 2022. Furthermore, they will not charge late payment penalties for those who pay the tax due in full (or set up a payment plan) by 1 April 2022. There are however a number of important points to note in this respect and HMRC are still encouraging taxpayers to file and pay on time if they can.

Due date for payment of your tax liability remains 31 January 2022

Despite HMRC's relaxation of the issue of penalties until after 28 February, any tax liability payable per your 2020/21 Tax Return (including any payment on account toward your 2021/22 liability) is still due for payment by 31 January 2022. Interest (currently at a rate of 2.75% per annum) will therefore be charged from 1 February 2022 until payment is made in full.

Time to Pay Arrangements

HMRC continue to offer their 'Time to Pay' service for any taxpayers who feel they may struggle to settle their tax liability in full by the due date. The Time to Pay service can allow you to spread the cost of your tax liability over a period of up to 12 months, with payments being made monthly. Prior to 1 October 2020 this was only available to those under Self-Assessment with a tax liability of up to £10,000. However, due to Covid-19, this was increased to tax liabilities of up to £30,000 and it remains at that level now.

If you wish to set up your own Time to Pay arrangement, you can do so online via your Government Gateway account, or by calling HMRC and you must meet the following criteria:

- You must have filed your 2020/21 Tax Return;
- Your outstanding Self-Assessment tax liability must be less than £30,000;

- You must be within 60 days of the payment deadline. Therefore, it must be set up by no later than 1 April 2022;
- You must plan to pay off your debt within the next 12 months.

If you do not meet these criteria, you may still qualify for a Time to Pay arrangement, but you will need to contact the Revenue directly to discuss this further. If you set up a Time to Pay arrangement, you will still be charged late payment interest from 1 February 2022 (see above).

Late Payment Penalties

In addition to late payment interest (which is charged from 1 February 2022), it is usually the case that a separate 5% late payment penalty is also charged on any unpaid tax that is still outstanding on 3 March. HMRC have also postponed the application of this late payment penalty, so as long as the tax is paid in full (or a payment plan set up) by 1 April 2022, the 5% penalty will not be charged.

Any Tax Returns filed after 31 January 2022 are still classed as late Returns

As was the case last year, HMRC have confirmed that although they will not automatically charge a late filing penalty as long as 2020/21 Tax Returns are filed by 28 February, any Returns that are filed after 31 January are still considered to be "late" Returns.

One implication of this is that HMRC have longer than usual to enquire into your Return. For example, if your Return is filed on 31 January 2022 then HMRC usually have to raise any enquiries into the Return by 31 January 2023 (the enquiry window runs to 12 months from the date of submission of your Return). However, the enquiry window for any late 2020/21 Returns is twelve months from the end of the quarter in which you file your Return (with quarters starting on 1 February). So, if you file your 2020/21 Return on, say, 14 February, HMRC have until 30 April 2023 within which to enquire into your Return.

It is also worth pointing out that late submission of your Tax Return can have other, perhaps less immediate, financial implications which can include invalidating any insurance policy which you may have in place for professional fees arising on any tax enquiry that HMRC undertake in respect of your tax affairs. You may therefore want to read the small print of any such insurance policies very carefully.

The above is for general guidance only and no action should be taken without obtaining specific advice.

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