



# PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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## HAVE YOU MISSED THE 31 JANUARY FILING DEADLINE? IF SO, ACT QUICKLY!

Friday 31 January 2020 is a date that will go down in history. Britain formally left the European Union, but will you remember it as the date that you failed to submit your Tax Return?!

31 January was the online filing deadline in respect of Tax Returns for the year ended 5 April 2019. If you have missed this deadline for whatever reason then you can still file your Tax Return, but you must act sooner rather than later to remedy the situation.

### Will I be automatically fined for not submitting my Return by 31 January?

If HM Revenue & Customs (HMRC) sent you a notice to complete a Tax Return shortly after 5 April 2019, but you have not yet filed this, then there will be an automatic £100 penalty that you will have to pay, even if there is no tax payable or if you have already paid all of the tax that you think you might owe.

In some circumstances you may have slightly longer within which to file your Tax Return. This may apply, for example, if HMRC have only recently issued you with a notice to complete a 2018/19 Tax Return. If that is the case then you usually have three months after the date of such notice within which to prepare and file your Return.

Bear in mind however, that there are strict timescales within which you are required to notify HMRC of chargeability to tax and the requirement for you to register for self-assessment. This time limit is six months after the end of the tax year in question i.e. 5 October 2019 for the 2018/19 tax year. If you know you should have registered for self-assessment in respect of 2018/19 but have not yet done so, you should take action sooner rather than later. It is your responsibility to tell HMRC that you need to complete a Tax Return. It is not the case that you only need to complete a Tax Return if you are asked to do so. Penalties for late registration can be levied and these can be as much as 100% of any tax liability unpaid at 31 January following the end of the tax year.

### What about additional penalties and interest?

At present the maximum penalty for most people who have not yet submitted their 2018/19 Tax Returns will be the flat rate penalty of £100. There will, however, be interest charged on any tax which has not been paid by 31 January 2020 (including any payment on account toward your 2019/20 tax liability, if that applies to you). That interest will be charged at 3.25% per annum and it is worth noting that any tax which remains unpaid at 2 March 2020 (30 days after the deadline) will incur a further 5% surcharge.

The penalties get much worse if the delay continues. If your Tax Return was due to be submitted by 31 January 2020 and is still not submitted by 30 April 2020 then even more significant penalties are levied at the rate of £10 per day (up to a maximum of £900).

There are even more penalties levied if the Return is more than 6 months late (£300 or 5% of the tax due, whichever is the higher) and if the Return is more than 12 months late (an additional £300 or 5% of the tax due, whichever is the higher, and in certain serious cases can be as much as 200% of the tax due). Similar surcharges of 5% are also applied to late payment of tax if the tax remains unpaid after 6 months and 12 months, in addition to the 5% surcharge if the tax is not paid by 2 March 2020.

### Do HMRC have any flexibility with reducing or cancelling penalties if I am still struggling to file my Return?

As I am sure you will appreciate, because of the potentially significant penalties referred to above, it is much better to try to bring matters up to date as soon as possible, even if you have missed the 31 January 2020 filing deadline.

HMRC do have the ability to cancel late-filing penalties if you can demonstrate that you had a 'reasonable excuse' for not filing your Tax Return on time. There is no definition of 'reasonable excuse' for these purposes but if you feel you have genuine grounds for failing to meet the deadline, it may be worth writing to HMRC and attempting to appeal against the fine. However, you should be aware that generally HMRC will require your Tax Return to be submitted before they will consider any appeal against late filing penalties.

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 key message is not to bury your head in the sand. The level of penalties, interest and other implications for not filing your Tax Return will become worse with the passage of time, not better. Please contact us if you would like any assistance with bringing your tax affairs up to date or if there is anything else you would like to discuss.

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

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