

PEARSON MAY

CHARTERED ACCOUNTANTS & CHARTERED TAX ADVISERS

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ACT NOW IF YOU NEED TO REGISTER FOR SELF-ASSESSMENT

Do you need to complete a Tax Return for the year ended 5 April 2023? If you don't normally complete Tax Returns but think that you may have tax to pay then remember, it is your responsibility to tell HM Revenue & Customs (HMRC). Don't wait for them to come after you! The clock is ticking. You must tell HMRC by 5 October 2023 at the very latest, otherwise they can issue penalties for late notification.

Not everyone needs to complete a Tax Return and this includes the majority of individuals in employment or in receipt of pensions, since their tax liabilities for the year are generally collected at source through their pay/pensions via the PAYE system. However, you may need to register for self-assessment and complete a Tax Return for the year ended 5 April 2023, if any of the following applied in respect of the tax year:

- You were self-employed.
- Your untaxed income (e.g. rental income) was £2,500 or more.
- You received a P800 from HMRC and didn't pay the tax owed voluntarily.
- Your savings or investment income was £10,000 or more before tax (see below).
- You were a company director, and not all of your income was taxed at source.
- Your income was over £50,000 and you or your partner continued to receive child benefit (known as the High Income Child Benefit Charge).
- You had income from abroad that you need to pay tax on.
- You lived abroad and had taxable UK income.
- Your income was over £100,000.
- You received regular annual income from a Trust or Settlement or income from an estate of a deceased person and further tax is due.
- You were liable to tax on a state pension lump sum.
- You incorrectly claimed coronavirus support payments which have not already been repaid to HMRC.
- You were liable to certain other tax charges such as excess Gift Aid contributions or pension contributions.
- You made a gain on capital disposals, such as the sale or gift of shares, property or other assets.

HMRC do have an online tool which individuals can use to check if they need to register for self-assessment and complete a Tax Return for the year ended 5 April 2023. This can be found here - www.gov.uk/check-if-you-need-tax-return

Savings and investment income

It should be noted that if your savings or investment income (e.g. bank interest, dividends etc.) was below £10,000 for the year, but there is tax payable thereon then you must still report this to HMRC.

As the rates of interest have increased on savings accounts over the past year or so, it is important to review the total amounts of interest you have

generated on your savings in the year ended 5 April 2023. ISA savings can be ignored since they are tax free. If the amounts received exceed the Personal Savings Allowance for the year, which is set at £1,000 for basic rate taxpayers and £500 for higher rate taxpayers (and nil for additional rate taxpayers), you will likely have a tax liability on that interest.

Where possible, HMRC will collect the tax due on this income by making an adjustment to your PAYE tax code. However, if this is not possible, you may need to complete a Tax Return.

HMRC are using, in some instances, savings interest data received directly from banks and building societies to populate tax calculations but it is important to check that these are correct and you should notify HMRC of any inaccuracies.

You should also bear in mind that the dividend allowance was £2,000 for the year ended 5 April 2023 (reducing to £1,000 for the current 2023/24 tax year and £500 from 6 April 2024). Individuals who receive between £2,000 and £10,000 of dividends and who need to pay tax on those dividends may not need to complete a Tax Return but will need to notify HMRC of the income received.

Possible future changes to self-assessment criteria

The Government have announced in the past few months that they want to simplify the process for taxpayers who become liable to the High Income Child Benefit Charge (HICBC). They have said that they will provide further details in due course, but the intention seems to be to enable employed individuals to pay the HICBC through their PAYE tax code, without the need to register for self-assessment (unless any of the other criteria are met). These future changes do not however affect the 2022/23 tax year, so those who are liable for the HICBC in respect of 2022/23 will still need to register (if not already) and complete a Tax Return.

It has also been announced by HMRC that, for the current tax year ending 5 April 2024 onwards, the self-assessment threshold for those taxed through PAYE only, will increase from £100,000 to £150,000. The threshold for 2022/23 remains at £100,000 and HMRC have said that those taxpayers affected will receive a self-assessment 'exit letter' if they submit a 2022/23 Return showing income between £100,000 and £150,000 taxed through PAYE and they do not meet any of the other criteria for submitting a self-assessment Return.

As a reminder, self-assessment Tax Returns for the year ended 5 April 2023 must be submitted by 31 January 2024 to avoid automatic penalties and interest. If submitting a Return on paper then the deadline is 31 October 2023.

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

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