



A short guide to understanding self-assessment tax returns

The 31 Jan deadline for filing self-assessment tax returns online is fast approaching and if you're self-employed, you'll probably need to complete yours.

Here, Anita Brook gives the basics of self-assessment, including working out whether you need to file a return, how to register online, all the information you'll need to gather, and what to do if you don't have exact figures come deadline day.

Do I need to file a self assessment tax return?

If you already pay tax through a 'pay as you earn' (PAYE) scheme – where tax and national insurance is deducted before your pay reaches your bank account, it's likely that you don't need to complete a return.

However, if your income is a little more complicated – for example, you have money coming in from several different sources – you may need to complete a return so that HM Revenue & Customs can get a complete picture of your finances and the tax you are liable to pay.

Every case is different, but in general, you are likely to need to submit a self-assessment tax return if you:

- Are self-employed
- Are a member of a partnership
- Are registered as a company director
- Are a minister of religion
- Receive a large income from savings, investment or property
- Receive an income from overseas
- Receive an annual income of over £100,000
- Are employed through PAYE, but wish to claim tax relief on expenses
- Are liable for capital gains tax

What kind of return do I need to file?

If your tax situation is very straightforward, HMRC may send you a 'short return' which is only four pages long.

In the majority of cases, however, you will receive a 'full return' which runs to 12 pages with additional pages sometimes required depending on your individual circumstances.

When do I need to file my return?

Self assessment forms filed by post must reach HM Revenue & Customs no later than 31 October after the financial year the return relates to. This deadline has now passed for the year 2008/9, but, you have until 31 January if you file online via the HMRC website. Late filing can result in a fine.

How do I file online?

If you are self-employed, you will need to let HMRC know this as soon as you start trading. You can do so by visiting <http://www.hmrc.gov.uk/selfemployed/register-selfemp.htm> or calling 0845 915 4515. HMRC will send you your self-assessment forms at the end of each tax year in April.

To file online, however, you need to register. You can do this by visiting <http://www.hmrc.gov.uk/sa/>, clicking on "Register for Self Assessment Online" and entering your details.

What if I haven't got exact figures by deadline day?

If you don't have exact figures, don't risk being fined by submitting your return late. You are allowed to instead submit either an 'estimated figure', which means you want it to be accepted as a final figure, or a 'provisional figure', which means you want HMRC to use it to perform your calculations until you are able to supply the definitive amounts.

Of course, this is not a way to avoid paying the correct tax. You will need to state when you will provide the final figures, and explain how you arrived at the estimated or provisional figures.

If the figures turn out to be wrong, you will still be liable for any tax owed and there could be further penalties.

What information will I need to fill out my return?

If you are required to fill in a tax return, you are legally obliged to keep the following records in order to supply correct information on your self-assessment.

The main details you'll need are:

- Details of all sources of income and the total received from each source
- Details of any 'taxable benefits' received (such as gym memberships funded by an employer)
- Details of any tax paid
- Details of any expenses incurred in the course of trading

You will then be required to complete forms SA100 and SA101, plus additional pages depending on your circumstances. It is wise to file online, as the HMRC system will automatically tell you which extra pages need to be completed.

Once you have submitted your details online, the HMRC will automatically calculate your tax and nation insurance (NIC) liability.

If I owe anything, when will I have to pay?

The annual deadline for paying what you owe for the previous tax year is 31 January. You will also be required to make a first payment towards the current year's tax bill on that date (known as 'payment on account').

Since the payment on account figure is an estimate based on your previous years earnings, if you have earned significantly less in the first half of the current year, or if you have moved on to a PAYE scheme, you can apply to have your payment on account reduced or cancelled.

The deadline for your second payment on account, if one is due, is 31 July. Again, you may be fined if you miss these deadlines.

To keep on top of your finances, it is wise to file your return in plenty of time so that you can budget for any tax payments due. If you are struggling to get your finances in order in time for the January deadline, it may be worth speaking with a qualified accountant, who can not only help calculate your income and expenses figures, but also submit your return to HMRC on your behalf.

By Anita Brook

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