

ALEXANDRA ANTHONY LTD

Self Assessment & Making Tax Digital

Wednesday 12th January 2022

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Agenda

- Introduction
- Self Assessment Returns
- Making Tax Digital ITSA
- Questions

Introduction

Welcome everyone

Just a little bit about Alexandra Anthony Ltd.

We are a successful Chartered Certified Accountancy Practice based in Chelmsford, Essex with a wealth of experience. We have been running for over 25 years now and pride ourself on personal service.

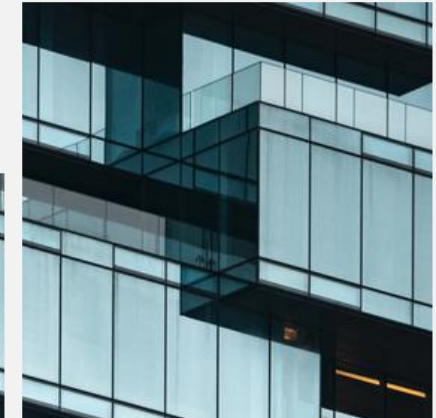
Our slides will be made available via Ren after the presentation.

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Self Assessments

Let's dive in

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Do I need to complete a tax return?

- **UK residents taxable on worldwide income and capital gains**
- **Non residents taxable on UK property income/gains and UK self employed income**
- **Complete Self Assessment to report untaxed income**
- **Register online by 5th October following end of tax year**
- **Unique Tax Payer's reference (UTR) issued once registered**

When do I need to complete a tax return?

- Tax year ends on 5th April each year.
- Sole traders and partnerships include profits for accounting period ends falling into tax year.
- Special rules apply for opening years.
- 2020/2021 tax return deadline:
 - 31st October 2021 for paper returns
 - 31st January 2022 for electronic submission normally but Covid extension to 28th February 2022

How are business profits reported?

- Dividends and salary are reported where business is a limited company
- Sole traders will report sales and expenses
- SEISS covid grants are taxable
- Capital allowances for asset purchases

Tax rates and thresholds 2020/2021

Income tax

- 0% up to personal allowance. Standard personal allowance £12,500 pa. unless income exceeds £100,000
- 20% for next £37,500 basic rate (BR) band
- 40% for next £112,500 higher rate (HR) band
- 45% for excess

National insurance

- Self employed Class 2 National Insurance £3.05 per week
- Self employed Class 4 National Insurance 9% on profits between £9,500 and £50,000, and 2% over £50,000.

Capital gains tax

- First £12,300 pa. of gains exempt.
- Residential property gains; 18% and 28% for BR and HR
- All other gains; 10% and 20% for BR and HR

Other allowances and reliefs

- £1,000 trading allowance
- £1,000 property allowance
- £1,000 personal savings allowance
- £5,000 savings allowance
- Pension contributions
- Charitable donations

What are payments on account?

- Advance payments towards tax bill for following year
- Except where tax bill is less than £1,000 or more than 80% of tax paid at source
- Each payment is 50% of last tax bill
- Tax payer can choose to reduce payments on account

When do I need to pay and how?

- 2020/2021 tax bill payment due 31st January 2022
- Tax can be collected via tax code in some circumstances
- Payments on accounts toward 2021/2022 due:
 - 50% due 31st January 2022
 - 50% due 31st July 2022
- 60 day special rule for gains on residential property
- Class 2 and Class 4 National Insurance, and non residential capital gains are paid as part of Self Assessment tax bill
- Self Assessment tax can be paid by DD, bank transfer, debit card, commercial credit card or cheque.

Loss relief

- **Trading losses**

- Offset against other income in same or previous year
- Offset against profits of same trade in future years
- Special rules for losses in first 4 years of trading
- Special rules for losses in final period before cessation

- **Property income losses:**

- Offset against rental profits in current or future years
- Special rules for furnished holiday lettings

- **Capital losses:**

- Offset against capital gains in current or future years

Penalties and interest

- 2.75% pa interest on tax paid late
- Late filing penalties
 - £100 up to 3 months late
 - £10 per day for next 3 months
 - 5% of tax owed when 6 months late plus another 5% when 12 months late
- Late payment penalties
 - 5% of tax owed when 30 days late normally but Covid extension to 1st April 2022
 - Further 5% each when 6 and 12 months late

Amending a tax return

- Yourself:
 - Within 12 months after filing deadline i.e. current and previous year
 - Special rules and strict conditions for previous 2 years
- HMRC enquiry:
 - Within 12 months of date return filed
 - Penalties between 0% and 100% depending on “lack of reasonable care”, “deliberate” or “deliberate and concealed”
 - Lower penalty for unprompted as opposed to prompted
- Insurance available to cover cost of dealing with HMRC enquiry



Making Tax Digital

Let's dive in

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Making Tax Digital Income Tax Self Assessment – MTD ITSA

What is MTD?

Making Tax Digital is a government initiative to bring HMRC up to speed with the ever-changing world of technology by requiring taxpayers to go digital with their information.

When is it being implemented?

This has been delayed, along with the changes to basis periods and the new tax penalty system. The new start date is 6 April 2024 (regardless of your accounting period end date). For partnerships this is being implemented in April 2025.

Will it affect me?

It will apply to any taxpayers with business and/or property income over £10,000 including landlords, sole traders and partnerships.

Do I need to purchase software?

You will need to either use an online software or if you chose to use spreadsheets still then you will need a specialised filing software. There is a hope that there will be plenty of options out there for people with smaller and less complex tax affairs that are free as well as the mainstream packages such as Freeagent and Quickbooks.

Making Tax Digital Income Tax Self Assessment – MTD ITSA

Under MTD it is proposed that the Self Assessment tax return will be replaced by five new reporting obligations made during and after the tax year. There will be quarterly updates required and a year-end final declaration.

Five tax returns per year due as follows;

Quarter	Period	Deadline
1	6 April - 5 July	5th August
2	6 July - 5 October	5th November
3	6 October - 5 January	5th February
4	6 January - 5 April	5th May

The End of period return must be filed by 31 January following the relevant tax year

Making Tax Digital Income Tax Self Assessment – MTD ITSA

Tax Payments

- As is the case currently, the tax liability is due by 31st January of the next year.
- You will be allowed to voluntarily pay your taxes as you go; the detail on this is still being decided.
- Eventually it is possible that you will be required to make 4 payments per year on account of tax.

Penalties

- There will be no late filing penalties for at least a year while the new system beds in. After that, you will suffer penalties if you file your returns late.
- Penalties already apply for errors in returns or documents
- Late payment interest already applies.

Summary

- When do you need to complete a tax return.
- Deadlines for the returns along with penalties and interest.
- How to pay your self assessment bill.
- Who will be affected by MTD ITSA.
- How many returns will be required under MTD ITSA.



Useful links from today's presentation

Register for Self Assessment - <https://www.gov.uk/register-for-self-assessment>

How to pay your Self Assessment - <https://www.gov.uk/pay-self-assessment-tax-bill>

Sign up for MTD ITSA - <https://www.gov.uk/guidance/sign-up-your-business-for-making-tax-digital-for-income-tax>

HMRC approved software list so far - <https://www.gov.uk/guidance/find-software-thats-compatible-with-making-tax-digital-for-income-tax>



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Contact Details

Just a reminder our slides will be made available via Ren after the presentation.

Many thanks

Claire Bullen & Laura Branch

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