

Our newsletter this month has the following updates: HMRC have introduced a new penalty regime for late filing of tax returns and are also now able to track property purchases. Plus, it is tax credits renewal time and we warn pensioners of possible tax scams.

The self assessment system started 15 years ago, but thousands of taxpayers still miss the deadline for filing their tax returns and incur a penalty. HMRC now have powers to charge more for late tax returns and these will apply from early 2012. The new penalties could exceed £10,000 and so we encourage everyone to make sure they gather the relevant details and send them to us for tax return preparation as soon as possible. You have been warned!

For further information and/or advice contact Alan Boby on 01295 250401 or email aboby@ellacotts.co.uk

Please note that our next newsletter is due to be published on 7 June 2011.

Property purchasers to be tagged by HMRC

Later this year your solicitor, or property conveyance person, will be required to file new forms with the Stamp Duty Land Tax Office when you buy a property. The regulations allow old forms to be used, or the new forms, from 1 April 2011 to 3 July 2011. After 4 July 2011 only new forms can be filed.

No cause for alarm thus far.

Unfortunately the devil is in the detail!

The new forms require that each lead purchaser provide the following unique identifier when completing the forms:

- Individuals - their National Insurance number, or
- Companies and Partnerships - their Unique Tax Reference (UTR) or VAT registration number.

Wonder what HMRC will do with this additional information? No doubt they already have, or will be, setting up tracking processes that link property purchases to the lead purchaser's tax file.

HMRC rack up the penalties

Four reasons for *filing* your tax return on time

Late filing of your self assessment tax return for 2010-11 will be subject to a new penalty regime. The old £100 penalty has not proved to be the deterrent it was intended to be – too many tax payers are still filing late returns.

From October 2011, the last date for filing a paper return for 2010-11, four penalties now apply.

- From day one: you will be charged a £100 penalty even if you have no tax to pay or you have paid any tax due.
- From 3 months late: you will be charged an automatic daily penalty of £10 per day up to a £900 maximum.

- From 6 months late: you will be charged additional penalties which are the greater of 5% of tax due or £300.
- Over 12 months late: again additional penalties based on greater of 5% of tax due or £300. In serious cases this penalty may be increased up to 100% of tax due.

Don't forget these penalties will be applied after 31 January 2012. HMRC will assume that you are going to file online if you miss the paper filing deadline of 31 October 2011. Under no circumstances should you post a paper return after 31 October 2011. This will trigger the new penalties.

Seek advice and file your return online before 31 January 2012.

Three reasons for *paying* your tax on time

Penalties for paying tax late are:

- 30 days late: initial penalty of 5% of tax outstanding.
- 6 months late: further penalty of 5% of tax still outstanding.
- 12 months late: further penalty of 5% of tax outstanding.

And on top of all this:

Interest will be added to any tax paid late including interest on unpaid penalties.

If you feel that you had a reasonable excuse for not filing on time it is possible to appeal.

Tax Credits renewals time

HMRC are in the process of sending out renewal packs to Tax Credits claimants for the tax year 2011-12. If you wish to renew your claims, make sure that you submit the forms before the 31 July 2011 deadline otherwise your payments may stop.

The tax credits helpline number is 0845 300 3900.

Claimants should make sure that any information returned on their claim form is accurate. HMRC may check earnings details with employers.

Information you will need to report includes:

- Working hours
- Childcare costs
- Pay
- Income details 2010-11.

Claimants on "nil awards" and those that only receive the full family element of Child Tax Credit will receive a statement setting out their 2010-11 award. If this statement is correct there is no further action to take, your claim should automatically be renewed.

HMRC warns pensioners they may be targeted by scammers

Approximately 146,000 people who started to receive their State Pension during 2010-11, and who had other income, may have underpaid tax for 2010-11.

The underpayments will have arisen due to a computer glitch at HMRC. As the error was discovered in the year the liability arose these underpayments will not be waived by HMRC.

Scammers are latching on to this error and pensioners may be targeted. HMRC would never email or call to ask for your personal banking details so any request that is received is likely to be fraudulent. Any such requests should be ignored.

HMRC will always make their demands in writing. If you do receive a legitimate claim HMRC have disclosed that they will allow payments to be staggered over three years starting from 2012.

Tax Diary May/June 2011

19 May 2011 - PAYE and NIC deductions due for month ended 5 May 2011. (If you pay your tax electronically the due date is 22 May 2011)

19 May 2011 - Filing deadline for the CIS300 monthly return for the month ended 5 May 2011.

19 May 2011 - CIS tax deducted for the month ended 5 May 2011 is payable by today.

19 May 2011 - The payroll forms P35 and P14s must be filed by this date - employers late in filing these forms may receive a penalty.

31 May 2011 - Ensure all employees have been given their P60s.

1 June 2011 - Due date for corporation tax due for the year ended 31 August 2010.

19 June 2011 - PAYE and NIC deductions due for month ended 5 June 2011. (If you pay your tax electronically the due date is 22 June 2011)

19 June 2011 - Filing deadline for the CIS300 monthly return for the month ended 5 June 2011.

19 June 2011 - CIS tax deducted for the month ended 5 June 2011 is payable by today.

DISCLAIMER - PLEASE NOTE: The ideas shared with you in this email are intended to inform rather than advise. Taxpayers circumstances do vary and if you feel that tax strategies we have outlined may be beneficial it is important that you contact us before implementation. If you do or do not take action as a result of reading this newsletter, before receiving our written endorsement, we will accept no responsibility for any financial loss incurred.

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