Guide to Self Assessment – Filing Your Returns and Paying Your Income Tax

Guide No.3 in the Tax Guide Series

About This Guide

This Guide has been prepared to help you understand the system of self assessment. If you still have some questions after reading it, please call into the Income Tax Office.

1. Who is affected by self assessment?

Everybody who files an income tax return will be affected by self assessment. Broadly, this will be:

· Self employed and business people;
· People receiving income from property;
· Employees and pensioners who wish to claim a tax refund or have other untaxed income.

2. What is self assessment and how does it work?

Everybody will self-assess their own tax liability they will know how much income tax is payable based on their own information. The tax payable will only change if the Income Tax Office believes you have made a mistake or have not disclosed all relevant information.

Things to remember when you self-assess:

· there will be one date for filing of all annual income tax returns by self employed and business people;
· employees will not need to file an income tax return unless:
(i) the PAYE deducted from their salary and wages is more than required and a tax refund is expected; or
(ii) insufficient PAYE has been deducted to cover the income tax payable on all their income and more income tax is payable;
· there will be one date for final payment of annual income tax;
· every person will be required to self assess their own income tax liability by:
(i) completing their own income tax return and calculating the tax payable or refundable; or
(ii) completing their own income tax return and asking the Income Tax Office to help them in calculating the tax payable or refundable;
· income tax returns will be processed on the figures supplied and in the majority of cases, the Income Tax Office will not make an assessment;
· any enquiries or checks will be carried out after the returns have been processed.

3. What will I be required to do if I am an employee?

At the end of the tax year, every employee will receive a Tax Deduction Certificate from their employer. This certificate is a summary of your income for the year and your PAYE deductions. You should check the certificate to determine whether the tax deducted is correct. If the tax has been correctly deducted and you have no other income, there is no need to file an annual income tax return. You will have no further income tax obligations.

If an employee has any income that has not been taxed (such as casual work or self employment income), or too much PAYE has been deducted from their salary and wages, an annual income tax return must be filed.

4. What will I be required to do if I am self employed or in business?

You must file an annual income tax return and calculate the income tax payable. This calculation will be based on the information supplied in your return. If there are any difficulties, you may request assistance from the Income Tax Office to help with the calculation.

5. When will my self assessment income tax return be due?

The due date for all income tax returns filed by self employed and business people will be 30th June. E.g. for the tax year ended on 31st March 2011, the due date will be 30th June 2011.

Not all employees will be required to file an annual income tax return but for those that do, the due date will be 3 months after they receive their annual Tax Deduction Certificate. For the majority of people, the certificate will be received from their employer during the month of April 2011 so the income tax return must be filed by the 31st July 2011.

6. Can I get an extension of time to file an annual income tax return?

Self employed and business people can apply for an extension of time if they are unable to file by the due date. Employees who are filing a return to claim an income tax refund must do so within three months of receiving their Tax Deduction Certificate. They will not be able to file a return after that date.

7. What are the income tax payment dates for self employed & business people?

For self employed and business people with a taxable income of £50,000 in the previous year, income tax will be payable under the tax instalment system during the year in which income is earned. In addition to these instalments, there may be a balancing payment six months after the end of the tax year. For self employed and business people with a taxable income of less than £50,000 you must pay any tax due six months after the end of the tax year.

Instalments shall be payable within fifteen days after the end of the third, sixth, ninth and twelfth months of the tax year or substituted accounting period.

8. How is the amount of each tax instalment calculated?

Tax instalments are based on the amount of income tax payable for the previous tax year and each instalment is one quarter of that amount. For example, if your income tax payable for the year ended 31st March 2011 was £1,000, each instalment for the year ended 31st March 2012 will be £250.

9. How is the final balancing payment calculated?

The final balancing payment is based on the income tax calculated on the annual self assessment income tax return, less the amount of income tax already paid by instalments.

For example, if your annual income tax return shows that £1,500 income tax is payable and you have already paid £1,000 by instalments, the balancing payment will be £500. Alternatively, if the annual income tax return shows that £750 income tax is payable, you will have paid too much in instalments and £250 will be refunded.

10. Can I still make voluntary prepayments of tax?

Yes.

A number of people find it easier to make prepayments of income tax every month so that they do not have a large income tax bill at the end of the tax year.

11. Are there any penalties for late returns and late payments?

Yes.

Penalties are automatically imposed as shown below:

· £100 for failing to file an annual income tax return by the due date; and

· a further £10 for each complete month that the return remains outstanding;

· 10% of the amount of income tax unpaid by the due date; and

· A further 1% of the amount of outstanding income tax for each month that it remains unpaid.

12. How does self assessment affect partnerships?

Partnerships will be required to file a separate income tax return of partnership income and profit. This return must show how the net income/profit is distributed to the partners. Each partner will then show this income in their individual self assessment income tax return and calculate the tax payable.

13. Will the Income Tax Office check returns filed under self assessment?

Yes.

However, it is anticipated that most returns will be processed on the information provided and the income tax payments will be accepted as correct.

Any arithmetic or calculation errors will be immediately rectified when they are identified but enquiries and reviews will generally be carried out under the income tax audit programme.

14. Income Tax Audits

Income tax audits are part of the system that focuses on helping people comply voluntarily with their tax obligations. There will also be a number of checks and reviews to make sure that the overall level of compliance is high.

The type of audits carried out will range from record keeping, reviews to simple checks on one or two items to large reviews of all self employment and business activities.

15. Reasonable Care

Self assessment requires that everyone takes reasonable care when filing their annual income tax return. If a person does not take reasonable care in filing an income tax return and, as a result, the return is wrong or contains a false or misleading statement, the outcome could mean a tax penalty and/or prosecution. Reasonable care is a subjective assessment that takes into consideration such things as:

· the nature of an error or false or misleading statement;

· the extent to which the person filing the return would have known that it was incorrect;

· the extent to which the Income Tax Office had provided assistance in ensuring that members of the public understood that aspect of the law; and

· the knowledge, education, experience and skill of the person who filed the return.

16. Tax Calendar.

The Tax Calendar on the last page is a useful guide in identifying the dates in which you must file returns and pay income tax

Income Tax Calendar for Tax Year 1st April 2010 to 31st March 2011

	2010												2011					
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Employees PAYE due	15th	15th	15th	15th	15th	15th	15th	15th	15th	15th	15th	15th						
Tax instalments for 2011 income year due							15th			15th								
Annual self assessment income tax return due															30th			
Balance of 2011 income tax due																		30th

Income Tax Calendar for Tax Year 1st April 2011 to 31st March 2012 and following tax years

	2011												2012					
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	April	May	June	July	Aug	Sept
Employees PAYE due	15th	15th	15th	15th	15th	15th	15th	15th	15th	15th	15th	15th						
Tax instalments for 2012 income year due				15th			15th			15th			15th					
Annual self assessment income tax return due															30th			
Balance of 2012 income tax due																		30th

Government of St Helena
Income Tax Office
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