

Penalties for late filing of self-assessment tax returns

You are in good company if you find the collating of data for your annual income tax return something of a chore. Of the approximately 10 million tax returns filed each year, roughly one million are filed late. It has not been unusual for a taxpayer to accept what was an initial £100 fine every year for failure to file a tax return on time. There was an additional fine of £100 if the return had still not been filed within six months of the original deadline. These fines were only levied where there was tax due.

From 2012 however, those who file their tax returns late could face fines of up to £1,600 - even if they have no extra tax to pay. Many people need to submit a self-assessment tax return to HM Revenue and Customs (HMRC), irrespective of whether they expect a tax bill. But new, stiffer penalties from the tax authority could hit those who fail to submit their tax return. The self-employed, company directors and those with multiple incomes have to submit an annual return.

Deadlines

The deadline for paper returns is 31 October, and for online returns it is 31 January.

Under the new system there will still be an initial £100 fine for filing after 31 January but this will be payable whether or not there is any tax due.

After another three months, the additional fine will be £10 per day, up to a maximum of £900.

For delays of over six months the further fine will be a flat £300 or 5% of the tax due, whichever is higher.

And for returns filed over 12 months late there will be another flat charge of £300 or 5% of the tax due, whichever is higher, and in some "serious" cases the taxpayer may be fined 100% of the tax instead.

Someone who failed to submit their return for 12 months could end up being fined at least £1,600.

Fines will no longer be cancelled if the taxpayer files late, but owes no money to HMRC, because there is no extra tax to pay or because it had been paid.

So don't assume you won't be penalised because you have no tax to pay. If you have received a notice to file a return you must get it filed on time to avoid these onerous penalties.