

# Understanding Self Assessment



## Introduction

Self-assessment tax returns are a method by which HM Revenue and Customs (HMRC) collect income tax. Individuals who receive income outside of taxed wages or pensions typically need to complete a tax return. This factsheet aims to simplify the process and ensure you meet your tax obligations without hassle.

### Who Needs to File?

You'll need to file a tax return if you:

- Are self-employed as a sole trader and earned more than £1,000.
- Are a partner in a business partnership.
- Have untaxed income, such as money from renting out a property, tips and commission, or income from savings, investments, and dividends.
- Need to claim income tax reliefs.
- Have annual income over £150,000.

### Key Deadlines

- 31st October (Paper Returns): For those preferring to submit their returns via paper forms.
- 31st January (Online Returns): This is also the deadline for paying any tax owed.

### How to File

Parry & Parry provides an end to end service, and advice throughout the year to help our clients prepare and file their tax return. If you'd like to do this yourself you need to follow these steps:

- Register for Self-Assessment: If you're not already signed up, register with HMRC.
- Gather Your Documents: Prepare all necessary documentation, including P60s, P45s, interest statements, and receipts for expenses.
- Complete Your Tax Return: You can complete it online or on paper. Online submissions are calculated automatically and provide an immediate calculation of your liability.
- Submit and Pay: Ensure you submit your return and make any payments by the deadlines to avoid penalties.

## Payments on Account

### What are Payments on Account?

Payments on account are advance payments towards your tax bill (including Class 4 National Insurance if you're self-employed) that you make twice a year. These payments are each half of your previous year's tax bill. They are intended to help you spread the cost of the upcoming year's tax.

### Who Needs to Make Payments on Account?

You will need to make payments on account if:

- Your tax bill is over £1,000.
- Less than 80% of your tax is collected at source (e.g., through your PAYE coding if you are also employed).

### Key Dates

- 31st January: This is both the deadline for your final tax bill of the previous tax year and the first payment on account for the current tax year.
- 31st July: This is the deadline for your second payment on account.

## Self assessment top tips

- The first year of self assessment can catch you out if you need to make payments on account for the first time. We recommend doing your return well in advance of the deadline to manage your cashflow
- Payments on account can be reduced if you expect your income to be lower in the following year