

## *Tax Debt – get it right - 2015*

### **Links**

For information about appealing a late filing penalty go to

### **For the appeal form:**

<https://www.gov.uk/government/publications/self-assessment-appeal-against-penalties-for-late-filing-and-late-payment-sa370>

### **For information about appeals and penalties:**

<https://www.gov.uk/tax-appeals/penalty>

<http://taxaid.org.uk/guides/taxpayers/tax-returns/late-filing-penalties-and-appeals>

### **Ceased self-employment? Tell HMRC online to cancel unnecessary returns:**

<https://www.gov.uk/stop-being-self-employed> Or ring them on 0300 200 3310

### **Estimated debts:**

TaxAid have extensive information on this subject on [www.taxaid.org.uk](http://www.taxaid.org.uk).

<http://taxaid.org.uk/guides/taxpayers/tax-debt/wrong>

*For those who can't get it resolved with HMRC, TaxAid's helpline is open between 10am and 12 noon 0345 120 3779*

### **For help in understanding your Statement of Account:**

<https://www.gov.uk/understand-self-assessment-bill>

### **For information on HMRC debt enforcement, including distraint see**

<https://www.gov.uk/if-you-dont-pay-your-tax-bill>

<http://taxaid.org.uk/guides/taxpayers/tax-debt/enforcement-action>

### **For information on phoning HMRC about your tax bill see**

<https://www.gov.uk/difficulties-paying-hmrc/when-you-call-about-your-tax-bill>

**For more information on County Court action see** <http://taxaid.org.uk/guides/taxpayers/tax-debt/countycourt>

### **For those with assets HMRC may recover the debt via the debtor's bank or building society:**

<https://www.gov.uk/government/publications/direct-recovery-of-hm-revenue-and-customs-debts-from-debtors-bank-and-building-society-accounts>

(Note: direct recovery does not apply in Scotland)

## *Tax Debt – get it right - 2015*

### **Bankruptcy**

Business DebtLine free advice service helpline: 0800 197 6026

CAB Royal Courts of Justice:

<http://www.rcjadvise.org.uk/debt-advice-service/getting-our-help/>

### **Tax Debt: get it right!**

#### **Ted’s story “The late filing penalty”**

**Ted:** “I’ve had this nasty letter from the Revenue. I think it says I have to pay a penalty for not filing a Tax Return. But I’m not self-employed!”

**Voiceover:** People who are not self-employed still sometimes need to do tax returns. If HMRC sends a return, it does need to be completed and penalties will be charged if it is not. But we should get to the bottom of why Ted has been sent a return. We need to find out a bit more.

**Ted:** I’m 79 years old, retired with a bit of rental and savings income on top of my State Pension. In total, my income is about £11,000 a year.

**Voice:** In that case Ted has a small amount of income above the tax-free personal allowance for someone aged 75 or over. This will be taxed at 20%. HMRC use the Tax Return you send them to work out how much income you had each year and how much tax you need to pay.

**Ted:** I put the form, the Tax Return, away somewhere, but I’m not sure I can manage to fill it in.

**Voice:** In that case, Ted should ring Tax Help for Older People for help with the Tax Return. Don’t ignore it as the late filing penalties will carry on building up – these days the penalties and interest on late Tax Returns can add up to more than £1,600.

Voiceover – Ted contacted Tax Help for Older People straight away ....

[TEXT on screen] Tax Help for Older People will:

- Check if changes to tax on rental income and savings have removed Ted from a need to file tax returns. If returns are cancelled the penalty is withdrawn.

## ***Tax Debt – get it right - 2015***

- File online if filing on paper leads to higher penalties.

**TOP Adviser** “... your tax return has now been completed and sent back and we’ve worked out you have tax to pay of £250. There will also be a bit of interest as well as a £100 penalty for missing the tax return deadline. If you can’t pay the tax and interest by the first of March, there will be a late payment penalty. Can you afford to pay?”

**Ted:** Well I do have a little bit of savings set aside....

NEW TEXT: For information about appealing a late filing penalty go to

For the appeal form:

<https://www.gov.uk/government/publications/self-assessment-appeal-against-penalties-for-late-filing-and-late-payment-sa370>

For information about appeals and penalties:

<https://www.gov.uk/tax-appeals/penalty>

<http://taxaid.org.uk/guides/taxpayers/tax-returns/late-filing-penalties-and-appeals>

**Voice:** It’s always better to get your tax return in on time. If you’re retired and need help, discuss this with Tax Help for Older People. Follow Steve’s story to find out what happens when no tax return is sent back.

*Number to come up on screen: Tax Help for Older People: helpline open 9am-5pm, Monday-Friday: 0845 601 3321*

### **Steve’s story: the HMRC “determination”**

**Voiceover:** Steve has had a letter that he is very worried about...

**Steve:** I’ve had a nasty letter from HMRC saying it’s a “determination” for £17,000 and a statement showing that I owe £40,000. This can’t be right – I’ve been off sick and haven’t worked for the past 3 years!

**Voiceover:** A determination is HMRC’s estimate of tax owed for the year. The estimate is made because a tax return has been issued but not completed and sent back to HMRC. Let’s find out what Steve was doing prior to his illness.

**Steve:** Well I was self-employed in the building trade; worked for myself and made good money, maybe £25k - £30k a year, till I had the stroke. I even had a tax adviser to help me.

## ***Tax Debt – get it right - 2015***

I didn't tell HMRC when I stopped working but they must have known. I was on Incapacity Benefit and that's paid by the government.

**Voice:** STEVE is wrong and that is not the case I'm afraid – if you are self-employed it is always your own responsibility to tell HMRC if your circumstances change, even if you think they should already know. Let's find out if the estimate is really owed. For help with this, ring TaxAid.

**NEW TEXT: Ceased self-employment? Tell HMRC online to cancel unnecessary returns**

<https://www.gov.uk/stop-being-self-employed>

**Or ring them on 0300 200 3310**

**Steve:** So how can I get rid of the determination? It seems to be based on my earning when I was working, not when I was off sick.

**TaxAid adviser** “That's right – they are. However, the only way to replace the estimates with the real tax due is to complete the tax returns. Once we've done this, it should show the correct amount owed, which will be less since you've been on Incapacity Benefit”

**Voice** To get an accurate figure of what tax you owe, you need to complete all outstanding tax returns.

**TaxAid adviser on phone part way through a conversation** “... ok, so now we've filled in your tax returns, we've worked out you owe £3,500. In a few, rare, cases HMRC might agree not to collect the tax, for example if your illness means that you won't be able to work again. But if they won't agree to that, we can still ask if they will give you extra time to pay.....”

**NEW TEXT:** HMRC's “Needs Extra Support” Team has been set up to respond to people who have communication or health needs. Ring them on 0300 200 3310.

*On Screen:*

*TaxAid have extensive information on this subject on [www.taxaid.org.uk](http://www.taxaid.org.uk).*

<http://taxaid.org.uk/guides/taxpayers/tax-debt/wrong>

*For those who can't get it resolved with HMRC, TaxAid's helpline is open between 10am and 12 noon 0345 120 3779*

**VOICEOVER :** If you ignore letters from HMRC you could find yourself in Gwen or Nic's position...

## *Tax Debt – get it right - 2015*

### **Gwen's story: the Statement of Account**

**Voiceover:** Gwen has had a letter that she is very worried about...

**Gwen:** I've had something from HMRC called a Statement of Account showing that I owe £6,000. What does it mean? Surely I don't owe all this?

**Voiceover:** People in Self Assessment receive a Statement of Account from HMRC. This is a summary of HMRC's understanding of your tax situation: it's rather like a bank statement. The amount showing as due may not be correct, so you need to check it. We need to know a bit more.

**Gwen:** Well I started up my own business selling jewellery about 4 years ago and told HMRC about it. It started slowly, but last year I made some really good sales and quite a bit of profit. Since then, sales have really dipped and I don't think I'm making any profit at all.

**Voiceover:** To work out if the debt is right, it is essential to carefully read through the Statement of Account.

**Voiceover:** Let's see what happens to Gwen after she speaks to an adviser and has the statement of account thoroughly checked

**Gwen:** I understand where the tax figure of £400 comes from – that's from the tax returns I've done. But what are these 'payments on account'? Do I owe them too?

**Adviser** *picks up part way through phone conversation* "... you filed your tax returns including for last year. HMRC have used last year's figures to work out your payments on account for this tax year.....

**Voiceover:** Payments on account are HMRC's way of collecting tax during the year, before you've completed your tax return. This means you don't wait until the end of the year to pay all your taxes. If your income drops you can ask them to reduce these payments on account to what you expect your actual tax to be. .

**Adviser** *picks up part way through phone conversation* "... so you must get in contact with HMRC

**Gwen:** Okay – I'll contact HMRC and ask them to reduce the payments on account to £500. I can pay that, and I'm pretty sure my tax bill won't be more than that. Then I won't need to worry about paying tax now which I might not even need to pay.

## ***Tax Debt – get it right - 2015***

**Voiceover:** it's always worth checking the paperwork you get from HMRC and getting help if you don't understand it. You might not need to pay your 'payments of account' if your circumstances have changed. If you don't understand your Statement of Account, ask for help.

On screen: See <https://www.gov.uk/understand-self-assessment-bill> for help in understanding your Statement of Account.

*Or ring 0300 200 3310. HMRC's Needs Extra Support team has been set up for taxpayers with access needs.*

**Voiceover :** Ignoring HMRC correspondence can get you into much deeper trouble – see what happened to Nic

### **Nic's story: a threat of distraint**

**Voiceover:** Nic has had a letter that he is very worried about...

**Nic:** I worked under the Construction Industry Scheme for the past 10 or so years until I was laid off last year. I agree that I owe the Revenue money but can't afford to pay. They kept writing to me but I didn't know what to do so I just ignored them. Now I've had this frightening letter from HMRC saying that they will order a distraint visit (whatever that is!) if I don't pay up. But I don't have any money.

**Voiceover:** Distraint is when HMRC sends someone to value and seize your goods if they believe that tax is due and you have failed to reach an agreement about paying them. They will sell these goods for whatever they can get and cars are at particular risk of seizure. Nic should get some advice on how to deal with HMRC.

**Voiceover:** Let's see what happens to Nic after he speaks to an adviser ...

NEW TEXT: Advisers will check whether the debt is real: are there any outstanding tax returns? Can they be cancelled?

**TaxAid Adviser:** We can advise you how to deal with the Debt Management people in HMRC. In the meantime, you have the right to deny entry to the distraint officer – make sure everyone in the household is aware of this. You may also want to consider parking your van away from your house!

**Nic:** I only received Jobseekers allowance last year – how do they expect me to pay?

## *Tax Debt – get it right - 2015*

**TaxAid Adviser:** You'll need to explain this to HMRC. If they don't know, they can't help you. Even if you cannot pay it immediately, you should contact HMRC to explain your circumstances. Ask for a short suspension until you are working again and to pay by instalments – known as “time-to-pay”. Tell them that you “can't pay” not that you are unwilling to pay. The maximum time you will normally be allowed is 12 months. Unfortunately interest will be payable.

**Nic:** Thanks. I didn't know what to do to before but at least now things are getting under control.

**Voiceover:** It's important not to ignore letters from HMRC, even if you can't pay them right now. They can take your situation into account and try to come to an agreement about paying. But if you don't contact them about the money you owe, you will have distraint visits and maybe worse.....

**On screen:** Contact the HMRC number on the letter sent to you.

For information on HMRC debt enforcement, including distraint see

<https://www.gov.uk/if-you-dont-pay-your-tax-bill>

<http://taxaid.org.uk/guides/taxpayers/tax-debt/enforcement-action>

For information on phoning HMRC about your tax bill see

<https://www.gov.uk/difficulties-paying-hmrc/when-you-call-about-your-tax-bill>

**VOICEOVER:** Hank on the other hand was looking forward to his day in Court

### **Hank's story: the County Court Papers**

**Voiceover:** Hank felt it was his day to be heard...

**Hank:** to be honest when I got the papers saying HMRC were going to seek a judgment in the County Court about my tax debt I thought “right, my day in Court! Time to get myself heard!” They have been chasing me one way or another for ages and not listening to me.

***Tax Debt – get it right - 2015***

**Voiceover:** If we are to find the best solution for Hank, we'll need a bit more background information....

**Hank,** I was self employed a few years back. I've been getting demands from HMRC – they've been chasing me for £4,000, which I don't think I owe. I'm now on benefits and rent my flat so I don't have any assets to sell to pay off the debt.

**Voiceover:** It is essential that Hank gets some specialist advice about the pros and cons of going to County Court before it is too late .....

**Adviser:** Do you agree with HMRC about the amount of tax you owe?

**Hank:** Not really – I think I owe a lot less – but I'll explain that at court and they'll have to listen!

**TaxAid Adviser:** "... as I said, to you before Hank that is incorrect and not what will happen - *all the Court can do is agree the debt and grant the judgment.* You need to sort this out with HMRC rather than with the court. The court isn't the place to dispute the debt – the most they can do is make an order for you to pay under a monthly payment plan. You could end up paying more than you really owe.

**Hank:** so what can I do about it? The Court papers say the hearing is next week.

**TaxAid Adviser:** "...you need to urgently contact HMRC to discuss the situation. We can help you with that, and with working out how much tax is really due. Right, let's look at the paperwork you have.....(FADE OUT)"

**Voiceover:** If you don't agree with HMRC about the amount owed, this might be because there are outstanding tax returns. If you go to court, in some cases it can make it impossible to change the amount of the debt. So be sure about whether going to court is the right option for you. To be sure what is the best option for you, get good advice.

## ***Tax Debt – get it right - 2015***

**Voiceover:** In limited circumstances, HMRC may apply Special Relief even where tax returns are out of time. But conditions are very strict. Make sure you don't make things worse by going to Court. But if the Court orders you to attend you **MUST** go.

**On screen:**

**For more information on County Court action** see <http://taxaid.org.uk/guides/taxpayers/tax-debt/county-court>

***TaxAid's helpline number (open 10am – 12 noon): 0345 120 3779***

For those with assets HMRC may recover the debt via the debtor's bank or building society:

<https://www.gov.uk/government/publications/direct-recovery-of-hm-revenue-and-customs-debts-from-debtors-bank-and-building-society-accounts>

(Note: direct recovery does not apply in Scotland)

**VOICEOVER:** when the debt is unmanageable is bankruptcy always a bad thing? See Tracy's story.

## **Tracy's story: the letter from the Enforcement Office**

**Voiceover:** Tracy has had a letter from the enforcement office that she is very worried about...

**Tracy:** when I first got the letter from HMRC Enforcement and Insolvency office in Worthing telling me to pay up within 14 days or a "petition for bankruptcy" would follow I was terrified. I have been fighting this off for years.

**Voiceover:** If HMRC want to make you bankrupt over a tax debt, they will send a letter from their Enforcement and Insolvency office, and then a Statutory Demand showing the amounts involved. It is important to act quickly and get specialist advice. Otherwise they will make you bankrupt, which might not be the best solution for you.

## ***Tax Debt – get it right - 2015***

**Tracy:** I had set up a food shop in town. Then a big supermarket opened nearby. To compete, I tried to specialise in quality food and drink, but that took all my savings and I borrowed money against my property. I had tax to pay from earlier years but I needed that money just to keep going.

**Voiceover:** Debt sometimes takes a while to come to terms with, but you should get professional debt advice as to the best way to proceed. For a start you need to consider whether you have any assets that you will lose by going bankrupt and whether you could instead sell them to pay the debt. Tracey should call TaxAid.....or general debt advisers.

Care is needed to establish that the tax debt is correct and not based on a determination (estimate)

**Voiceover:** Bankruptcy decisions are always tough but they are made simpler by solid advice. When bankruptcy is not the only option, let's see how good advice benefits Tracy...

**Tracy:** continuing a conversation on the phone "...well my parents have helped me and I would hate to waste the money that helped set me up. I have some equity in my flat, maybe only £15,000 in this market. The debt is £10,000 and I know I owe it so maybe I should sell the flat?"

**TaxAid adviser:** continuing conversation on the phone "... no decision is going to be easy. From what you tell me you are considering putting the flat on the market yourself, rather than losing the equity through bankruptcy. The only way to avoid bankruptcy is to raise the money."

**Tracy:** But will HMRC wait for payment?

**TaxAid adviser:** "... At this late stage you need to move quickly. HMRC (or the Court) may allow you a few months, but you need to show you are taking real action to sell your property and pay off the debt. We can help you with the letter ..."

**Voiceover:** With the right advice Tracy has been able to properly evaluate her situation to find the best solution.

**Voiceover:** If it turns out that bankruptcy was unavoidable and Tracy's only option, let's see how again, good advice makes the best of a bad situation ...

**Tracy:** I've borrowed money from everywhere just to keep the shop going but I need to face reality now. I suppose all my debts add up to about £50,000. I've no assets left, not even my car, and there's no equity in my flat. I just want a clean slate; to start over again.

***Tax Debt – get it right - 2015***

**Tax Adviser:** Bankruptcy might be the best option for you. We can help you work out the tax debt. You should also get help from a debt adviser to work out the rest and help you through the bankruptcy process. Make sure to let them know the tax debt is to be included in the petition. ....FADE OUT

**Voiceover:** “bankruptcy” may sound negative, but it can sometimes help a person who is hopelessly insolvent and needs a fresh start. You should get the facts from a debt advice agency like BusinessDebtLine or the specialist debt advice Citizens Advice Bureau at the Royal Courts of Justice.

On screen:

Business DebtLine free advice service helpline: 0800 197 6026

CAB Royal Courts of Justice: <http://www.rcjadvic.org.uk/debt-advice-service/getting-our-help/>

*TaxAid helpline 0345 120 3779.*

This video

<https://www.youtube.com/watch?v=BSrvj8xvY3g>