

Newsletter – January round-up

The impact of the new late filing penalty regime on unrepresented taxpayers is potentially quite dramatic. With this in mind, here is a quick round-up of some key points to check before 31 January, and as we head for a new tax year in April.

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1) Tax returns - the deadline could be earlier than you think ...

Don't leave filing your tax return until the last minute. To avoid a non-refundable late filing penalty, the 2010/11 tax return must be filed on-line by 31 January 2012.

To file on-line you must register in advance and give time for an access code to arrive in the post.

HMRC is advising that taxpayers should register by 21 January 2012 at the latest to ensure the activation code arrives on time (see HMRC Press release 1 November 2010 - Don't send your Tax Return on paper).

More about late filing penalties - <http://taxaid.org.uk/guides/tax-returns/late-tax-returns>

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2) Some more 31 January 2012 tax deadlines

31 January 2012 is more than a tax return filing date, it is also the deadline for:

- **Paying tax due under self-assessment** – if you think you will have a problem paying your tax consider phoning the Business Support Service <http://www.hmrc.gov.uk/payinghmrc/problems/bpps.htm>.

If your profits have fallen, you may be able to reduce your payments on account. See <http://taxaid.org.uk/guides/tax-debt/wrong> for guidance if you think the tax debt is wrong, or the payments on account are too high.

- **Making amendments to a 2009/10 tax return** - after this date, changes can only be made by an overpayment relief claim, which is much more restrictive

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- **Making claims and elections for 2009/10**

There are a number of claims and elections for the year 2009/10 which go out of time on 31 January 2012. One of these is that for loss relief claims against other income of the same or previous year.

Other claims and elections for 2009/10 include - election to use rent-a-room, where income is over £4,250; Farmers', and Authors' and Artists' averaging claims for 2008/09 and 2009/10;

- **Replacing a 2007/08 estimated tax demand.** If HMRC has issued an estimated tax bill (a 'determination') for the tax year 2007/08, unless it has been issued within the last 12 months, you have only until 31 January 2012 to replace it (see <http://www.hmrc.gov.uk/manuals/chmanual/CH56100.htm>).

In other cases, the normal final deadline for filing tax returns for 2007/08, or making overpayment relief claims, is 5 April 2012.

- **Giving actual income figures for 2010/11 tax credit awards.** For tax credits, 31 January 2012 is the last date you can supply actual figures, if you renewed your 2010/11 tax credit claim using estimated figures.

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3) Tax credits – preparing for April 2012

Watch out for forthcoming tax credit changes from 6 April 2012!

- Couples will need to work a total of 24 hours per week (this goes up from 16 hours) to qualify for working tax credit. At least one member of the couple still has to work 16 hours per week;
- Decreases in income – the first £2,500 fall in income will be ignored when working out your in-year award. So reduced top-ups where income falls;
- New claims, and changes which increase entitlement, will only be backdated one month (down from 93 days);
- Family element (£545 per annum for a household with children) – the £40,000 income threshold disappears, so this element is tapered immediately after the other tax credit elements;
- The 50+ element – for those aged 50 and over who are returning to work after 6 months on benefits - is no longer available

For details see - <http://www.hmrc.gov.uk/taxcreditsbudget/index.htm>

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4) PAYE taxpayers - debts in your tax code for 2012/13?

PAYE tax codes for 2012/13 will be issued in January and February 2012. One new feature is that these codes can now be used for recovering tax debts and tax credit overpayments from the past.

Adjustments for recovery of tax can now be made without the taxpayers direct consent and can be up to £2,999.99.

If there are concerns that these debts relate to underpaid tax from earlier years shown on a P800 tax calculation, then see guidance at <http://taxaid.org.uk/underpaid-payee-hmrc-is-sending-out-a-new-round-of-tax-bills>

HMRC guidance on 2012/13 codes can be found at <http://www.hmrc.gov.uk/news/coding-notice.htm>

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5) Don't miss that refund

Timescales for claiming refunds are down to 4 years from the end of the tax year. This means that refunds for the tax year 2007/08 must be claimed by 5 April 2012.

Under transitional rules, PAYE taxpayers, and others who are not self-assessment, have a little longer for the years 2005/06 and 2006/07. But this means that 3 tax years go out of time between January and April 2012 – as in the table below.

PAYE and savings income tax refunds	
Tax Year for which refund is due	Deadline for making a claim
2005-06	31 January 2012
2006-07	31 March 2012
2007-08	5 April 2012

<http://www.hmrc.gov.uk/about/payee-taxpayers.htm>

In practice, HMRC may allow longer in some non-self assessment cases.

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6) e-learning

Module 7 on “Double jeopardy: tax and tax credits in family breakdown” is live from Friday 13 January

Household breakdown brings together a package of tax and tax credit issues. Can you identify the problems and highlight the best solution? The session looks at tackling tax credit overpayments, tax debts, dealing with the self-employed and making a new start as an employee.

Log on at <http://taxaid.org.uk/guides/e-learning-live> - there is no need for prior registration.

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7) Income Tax and National Insurance Rates for 2012-13

The rates confirmed in the Chancellor's Autumn Statement are:

Income tax - Personal allowance	2012/13	2011/12
Under age 65	8,105	7,475
Income limit for under 65 personal allowance	100,000	100,000
aged 65-74	10,500	9,940
aged 75 and over	10,660	10,090
Married couple's allowance (aged 77 and over – given at 10%)		
maximum amount	7,705	7,295
minimum amount 2	2,960	2,800
Income limit for age-related allowances	24,000	25,400
Blind person's allowance	2,100	1,980

Income tax rates 2012/13

Basic rate – 20%	0	34,370
Higher rate – 40%	34,371	150,000
Additional Rate – 50%		over £150,000

There is a starting rate band for savings of £2,710 of 10% (for how this works see <http://taxaid.org.uk/info/taxation-of-savings/the-10-starting-rate-for-savings-income>)

National Insurance rates The main rates are:

Employees – class one – weekly amounts

0 - £107	0%
107 - £146	0% but with National Insurance credits
£146 to £817	12%
Above £817	2%

Employer's (secondary) contributions are payable from £144 at 13.8%

Self-employed

Class 2 National Insurance – £2.65 per week (Small Earnings Exception – can apply where earning are under £5,595 pa)

Class 4 National Insurance

0 - £7605	0%
£7605 - £42,475	9%
Over £42,465	2%

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