

# THE 2023 GUIDE TO SELF ASSESSMENT TAX RETURNS



With the UK tax season officially starting, you're likely too busy to personally check in with every client to help them understand how their tax returns are calculated and what they need to prepare. Share this guide via personal email or through your client portal for a quick way to educate your clients about the busy season.

In order to understand how personal tax returns are calculated, taxpayers should be able to understand the following thresholds, exemptions and regulations that apply. To begin with, let's understand the different income tax bands.

## INCOME TAX RATES & THRESHOLDS

The income tax rates and thresholds for individuals in England and Wales vary from those of Scotland. The below tables list the tax rates and thresholds for each of the countries.

### Income Tax Bands for England and Wales

Category	Income	Percentage
Personal Allowance	Up to £12,570	0%
Basic Rate	£12,571 to £50,270	20%
Higher Rate	£50,271 to £125,140	40%
Additional Rate	Above £125,140	45%

### Income Tax Bands for Scotland

Category	Income	Percentage
Personal Allowance	Up to £12,570	0%
Starter Rate	£12,571 to £14,732	19%
Basic Rate	£14,733 to £25,688	20%
Intermediate Rate	£25,689 to £43,662	21%
Higher Rate	£43,663 to £125,140	42%
Top Rate	Above £125,140	47%

## WHAT'S TAXABLE AND WHAT'S NOT

Taxable Income	Non-Taxable Income
Income from employment	Income from individual savings accounts
Income from self-employment	Income from tax-exempt savings accounts
Pension income	The first £1,000 of income from self-employment (trading allowance)
Dividend income	The first £1,000 of income from property you rent
Rental income	Premium bond or national lottery wins
Trust income	

## WHAT ARE THE EXEMPTIONS

The UK government has a fixed exemption limit on income for which individuals do not have to pay taxes. These are categorised into allowances by HMRC. Let's look at the exemptions and allowances for 2023.

Type of Allowance	Exemption
Employee personal allowance	£12,570
Dividend allowance	£1,000
Personal savings allowance	£5,000
Interest allowance on personal savings:	
• Basic taxpayers	£1000
• Higher rate taxpayers	£500

## TAX ON DIVIDEND INCOME

The amount of tax individuals pay on dividend income above the dividend allowance depends on the income tax band they fall into.

The hybrid rates are classified as below:

Tax Band	Tax Rate
Dividends within the basic rate band	8.75%
Dividends within the higher rate band	33.75%
Dividends within the additional rate band	39.35%

## HIGH-INCOME CHILD BENEFIT CHARGE

Couples in the UK receiving child benefits should be aware of HICBC. If either parent has an income above £50,000, any child benefit they may have received will be recovered at the rate of 1% for every £100 of income above £50,000.

Accordingly, if either parent earns more than £60,000, all the child benefits received will be taken back in increased income tax.

# DEADLINE & PENALTIES FOR FILING A TAX RETURN

## Deadlines

HMRC has a set deadline for individuals to file their tax returns every year. A failure to adhere to these deadlines or late payments attract fines and penalties.

Let's understand the deadline for filing Self Assessment tax returns.

- The deadline to file paper tax returns is the midnight of 31st October.
- The deadline to file online tax returns is the midnight of 31st January.

The deadline to make payments for both paper and online tax returns is also 31st January.

## Payments on Account

Payments on account refer to when HMRC directs you to make payments twice a year to spread your tax liability.

The first payment is to be made on 31st January on account of your next year's tax bill once you have settled the previous year's bill. The second payment on account is due on 31st July.

However, if your previous year's Self Assessment bill was below £1,000 or the taxes you have already paid are more than 80% of your owed total, you will not be required to make the payments.

## Penalties

Every individual filing Self Assessment tax return is required to abide by HMRC's deadlines, failing which they shall be liable to penalties.

A three-month late payment attracts a penalty of £100 and interest on the tax bill by HMRC. However, if an individual has a reasonable justification for the delay, they can appeal such penalties. Speak to your accountant to make an appeal for Self Assessment.

Want to avoid penalties and never miss a deadline? Download our comprehensive Tax Calendar 2023/24 and keep it handy to refer to all key dates and deadlines.

## OTHER IMPORTANT REGULATIONS

If an individual's taxable income exceeds £100,000, they shall lose £1 of their personal tax allowance (£12,570) for every £2 that their adjusted net income is more than £100,000. This means that as soon as income is equal to or higher than £125,140, personal tax allowance is no longer available.

## HOW TO PREPARE FOR YOUR TAX RETURN

### 1. Gather Key Information & Paperwork

- Business Income:** Records of your business income and expenses.
- Employment Income:** If you have employment income in addition to business income, you must provide Forms P60 or P45.
- Form P11d:** A record of any benefits received from your employment in kind.
- Dividends:** A record of dividends received during the year.
- Rental Income:** A record of your rental income and property management expenses.
- Pension Income and Payments:** A record of income in terms of pension or payments made to pension schemes.
- Bank Interest:** A record of any interest received from bank accounts during the year.

- h. **Any other income:** A record of any other income received during the year. For example, income from another business, shares, chargeable gain from selling a rental property, etc.
- i. **VAT & PAYE Records:** If you're registered for VAT or employ people at your business, you must submit this information.
- j. **Grant Details** if you claimed through the Self-Employment Income Support Scheme because of coronavirus.
- k. **Investment Details:** A record of your financial investments and payments made in those regard.

## 2. Organise Necessary Personal Information & Documents

You don't need to keep the vast majority of your records in their original form. If you prefer, you can keep a copy of most of them in an alternative format, as long as they can be recovered in a readable and uncorrupted format. For example, a scanned PDF document.

Here's a detailed checklist of the documents required to prepare Self Assessment tax returns.

If your records are no longer available for any reason, you must try and recreate them, letting HMRC know if the figures are estimated or provisional. There are penalties for failing to keep proper records or for keeping inaccurate records.

## 3. Set Up an Appointment with Your Accountant in Advance

Accountants often get battered with work as the busy season approaches and can barely find time for in-person appointments. Therefore, it is advisable to set up your tax appointment in advance.

Additionally, in-person appointments are a good time to ask your accountant any questions and get your tax queries resolved. Accordingly, be prepared with your doubts in advance instead of having to call or email them later.

## 4. Be Responsive

Look out for any emails/communication from your accountant and ensure you answer their questions quickly to help make the tax preparation process smooth and hassle-free.



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with taxes?**

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conversation!**

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