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RECORD NUMBERS SENT IN 2018/19 TAX RETURNS THROUGH SELF-ASSESSMENT

Almost a million taxpayers missed the self-assessment deadline on 31 January, despite record numbers of compliance.

Figures from HMRC showed that a record 11,122,967 taxpayers out of 11.7 million beat the midnight self-assessment deadline for 2018/19 on 31 January 2020.

Those who had untaxed income above the tax-free allowances needed to complete tax returns.

A record 10.4m filed their returns online, with the rest getting their returns in before the paper deadline on 31 October 2019.

Some 702,171 tax returns went in on deadline day, and the peak filing hour was from 4pm and 5pm with 56,969 returns sent in.

Amazingly, 26,562 people filed their returns less than an hour before the deadline.

Angela MacDonald, director-general for customer services at HMRC, said:

"It's great to see that the majority of customers have submitted and paid their tax returns before 31 January.

"Anyone yet to file or pay should contact HMRC straight away because we are here to help."

The 958,296 taxpayers who missed the 2018/19 deadline rose from 731,186 on the previous year, when 11,564,363 were due.

HMRC can demand penalties of £100 for late filing during the first three months after missing the deadline, after which additional fines can apply.

We can handle your tax returns.

SCOTLAND FREEZES INCOME TAX RATES AFTER FINANCE SECRETARY RESIGNS

The Scottish Government has decided to freeze all income tax rates, plus the higher and top-rate thresholds, for 2020/21.

Assuming the personal allowance remains at £12,500, only the basic and intermediate thresholds in Scotland are set to rise in line with inflation.

A starter-rate of 19% will apply on earnings between £12,501 and £14,585, while the basic-rate of 20% will then be paid on earnings up to £25,158.

An intermediate-rate of 21% will then apply up to £43,430, with a higher-rate of 41% kicking in on earnings up to £150,000.

Scotland's top-rate of 46% then applies to those earning more than £150,000 in 2020/21.

Scotland's public finance minister Kate Forbes stepped into the breach to deliver the speech, following the shock resignation of Finance Secretary Derek Mackay.

Forbes said:

"More than half of taxpayers pay less income tax in Scotland than elsewhere in the UK.

"Based on commitments made by the UK Government in their Autumn Budget 2018, we do not expect any further increase in income tax divergence between Scotland and the rest of the UK this year.

"It is now up to the UK Government to ensure that divergence does not increase when they deliver their Budget on 11 March."

Talk to us about income tax.

ROLLOUT OF OFF-PAYROLL RULES TO THE PRIVATE SECTOR GETS THE GREEN LIGHT

The Government is to press ahead with extending the off-payroll rules to the private sector next month, following the publication of a controversial report.

From April 2020, every medium and large private-sector firm in the UK will become responsible for setting the tax status of any contractor they use, as is the case in the public sector.

The rules will only apply to payments made by private-sector businesses or agencies for services provided on or after 6 April 2020, and no retrospective charges will apply.

The Treasury is to adopt a “light-touch approach” towards penalties in 2020/21 as it seeks to address “fundamental unfairness” with non-compliant of the current rules.

Private-sector organisations and contractors had been fiercely opposed to the changes prior to the report being published.

Tax experts expect the changes to reduce a worker’s take-home income by as much as 25% as contractors operating through a limited company face paying thousands of pounds more in extra income tax and national insurance contributions.

The review, which was announced in early January, was slammed for not having an independent chair and the insufficient amount of time to conduct a full review.

One of the biggest critics is the Association of Independent Professionals and the Self-Employed (IPSE).

Andy Chamberlain, deputy director of policy at the IPSE, said:

“From the start, this review has been recklessly inadequate. Not only was it not independently chaired, it was also rushed out of the door in less than two months.

“These tweaks go nowhere near far enough. If anything, this tinkering shows the Government knows the changes to IR35 will be immensely disruptive to business and contractors, but plans to forge ahead regardless.”

The rules mean that contractors, such as IT or management consultants, who work through their own limited company but are technically employed by a third-party organisation, pay the correct amount of income tax in the same way as employees.

Previous Government estimates suggest the move could boost the public purse by up to £1.2 billion by 2023 as a result of people getting the rules right, and correctly paying tax as if they were employed.

Get in touch to discuss the off-payroll rules.

MILLIONS TO GET A TAX CUT AS NATIONAL INSURANCE THRESHOLD RISES TO £9,500

The Treasury is to raise the National Insurance threshold for 2020/21, saving the average employee around £104.

According to legislation approved in Parliament back on 30 January 2020, the £8,632 threshold at which employees start paying class 1 national insurance contributions (NICs) will increase by more than 10% to £9,500.

The same £9,500 threshold will apply to the self-employed who pay class 2 or class 4 NICs in 2020/21, reducing their annual bills by an estimated £78.

Government figures indicate a typical basic-rate taxpayer will be £1,200 better off in 2020/21, compared to 2010/11, due to this measure and previous increases to the personal allowance.

Prime Minister Boris Johnson first announced the Conservatives would raise the NICs threshold in November 2019 as part of his election campaign.

Johnson said that increasing the class 1 NICs threshold would “represent a tax cut for around 31 million workers”.

In January 2020, more than 32.9m people were in employment while the UK’s self-employed population passed the five-million milestone at the same time.

Ministers confirmed the upper NICs threshold is to remain at £50,000, while the main NICs rates will also be unchanged from 6 April.

The Government plans to raise the National Insurance threshold to £12,500 in the coming years, a move it claims will put almost £500 a year into people’s pockets.

Speaking before he quit last month, former chancellor Sajid Javid said:

“We’re determined to do what we promised and put more money into the pockets of ordinary hard-working people.

“That’s why we’re starting this Government as we mean to go on, by cutting their bills.”

Changes to the National Insurance threshold would not affect people’s entitlement to the state pension.

All NICs go into the National Insurance Fund, which pays state benefits, including the state pension.

Speak to us about national insurance contributions.