

Contractors filing late tax returns need to act sooner rather than later

Contractors who fail to submit their [self-assessment tax return](#) before the 31 January deadline shouldn't encounter any additional complications, but are encouraged to get their tax affairs in order ASAP to avoid the ire of HMRC.

This is according to [James Abbott](#), owner and head of tax at contractor accountant [Abbott Moore](#), who warns that HMRC has intensified efforts to clamp down on late filing in recent years.

"The longer a contractor puts off filing their tax return, the worse it's going to get. HMRC now pursues late returns and late filing notices really aggressively, and it's very easy to rack up a lot of money in penalties.

"If HMRC gets really upset it may send an estimated assessment to a contractor, whereby it approximates the amount of tax the contractor owes and charges them accordingly," continues Abbott. "Nobody wants to go down that route."

Contractors need to act fast to avoid additional penalties

"When it comes to late filing, the sooner you catch up, the better," Abbott notes. "It sounds obvious but if you leave a return outstanding, you can begin to incur daily penalties on top of your initial penalty. These can really ramp up the amount that's due. £1,200 just for one late tax return is not uncommon!"

Contractors who miss the self-assessment tax return deadline automatically incur a £100 penalty, but this figure can rise further for those who fail to submit their return within three months of the deadline. Abbott explains that HMRC provides an online service whereby contractors can estimate their penalty for sending a late tax return.

For contractors who intend to appeal their penalties for late filing, Abbott adds that HMRC will only consider an appeal once the tax return has been filed - emphasising the need to get it submitted ASAP, unless the return has been issued in error.

Late-filing contractors assume standard protocol

Contractors who are behind on their tax returns will be pleased to know that the process for filing a late return is exactly the same as it would be for filing a return prior to the 31 January deadline.

For contractors, this will simply involve signing into their online [Government Gateway](#) account and using the online form to complete their tax return. Alternatively, contractors may get their accountants to complete this process for them.

Abbott also reminds contractors who have missed the January filing deadline not to forget about the deadline for [payments on account](#), which is 31 July. Contractors can monitor the payments they will need to pay towards their next tax bill by logging into their online account.

Appealing a penalty for filing a late return

Contractors can appeal to HMRC against penalties for submitting a tax return late. Penalties will be cancelled or amended if HMRC determines that the contractor has a reasonable excuse. HMRC provides [guidance as to what constitutes a reasonable excuse](#) online, but Abbott highlights that a valid reason may not be limited to what HMRC stipulates:

"The list is a good example of what HMRC will consider, but as long as a contractor's excuse is reasonable – that being that it is something unexpected or outside of the contractor's control – they should be fine.

"A lot of appeals that HMRC receives just won't fly, and it can be difficult to have a penalty removed. Excuses such as 'pressure at work', for example, are not valid reasons for not dealing with your tax affairs on time."

Abbott notes that contractors who do believe they have a valid reason for not completing their tax return on time can submit an appeal on HMRC's website. However, if HMRC upholds its decision, Abbott warns that the contractor is better off paying the penalty.

"If a contractor doesn't agree with HMRC's decision they can take it further, but there is a cost to appealing penalties. Contractors can take it to a tax tribunal if they want to. But obviously the penalty is relatively small, and so it's not worth it just for the sake of the principle."

Amendments to incorrect returns pose no problems

Abbott adds that contractors who have filed their tax returns on time, but who believe they have made mistakes, can make amendments without incurring extra fees. This can simply be done by logging into their online account and updating the information provided within the tax return.



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James Abbott is the owner of Abbott Moore LLP and often speaks on freelancer / contractor tax matters. He has his own growing portfolio of contractor clients.

Abbott Moore LLP are PCG Accredited Accountants and specialise in providing tax advice to freelancers as well as dealing with their year end accounts and tax returns. [Read Full Profile...](#)

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"There are limited circumstances where you might have an extended four-year deadline for overpayment relief, but whether you get an extended timeframe depends on what you're trying to change," Abbott explains.

"For the large majority of issues, a contractor will have until 31 January the following year to amend discrepancies, which still leaves ample time to make any necessary corrections."

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