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What If I Miss the Self-Assessment Deadline?
1 message

Friday Tax Tip <michael@taxexpert.co.uk> 17 January 2025 at 10:00
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FRIDAY TAX TIP™

Consequences of Late Tax Returns

& Late Tax Payments

Missing the **31st January** deadline could lead to substantial penalties, interest charges, and long-term tax & financial consequences.

What are some of these consequences? We cover potential fallouts and fines if you fail to meet the deadline for either submission or payment.

(Reading Time: Approx. 3 Minutes)

What Happens If You Miss the Deadline?

Missing the SA deadline can lead to a cascade of penalties:

- Late Filing Penalties:
    - Missed deadline (31 January): Automatic £100 fine.
    - Three months late: £10 per day (up to £900).
    - Six months late: Either 5% of the tax due or £300 (whichever is greater).
    - A year late: Penalties can reach up to 100% of the tax due for deliberate withholding.

- Late Payment Penalties:
    - 5% of unpaid tax after 30 days, six months, and twelve months.

- Compounding Interest:
    - Interest accrues daily on unpaid taxes and penalties. HMRC currently charges 7% interest, significantly increasing costs.

Real-Life Scenarios – The True Cost of Delay

Scenario 1: Late Filing

Michael went on a sabbatical in January 2023 and accidentally missed the 2021–22 filing deadline.

Returning in early 2024, Michael filed his return on 1st February 2024, but the penalties were severe:

- Missed filing deadline (31 January 2023): £100.
- Unfiled after 3 months (30 April 2023): £10 per day for 90 days (£900).
- Unfiled after 6 months (31 July 2023): £300 (reduced to £100 due to interaction rules).
- Unfiled after 12 months (31 January 2024): £300 (reduced to nil).

The total penalty was capped at £1,100, but adding daily 7% interest, Michael's costs escalated further.

Scenario 2: Late Payment

Sarah owed £10,000 for the 2021–22 tax year, due by 31 January 2023. She ignored all reminders and paid in February 2024.

Here's what she incurred:

- Unpaid by 2 March 2023: £500 (5% of £10,000) *plus*.
- Unpaid by 2 August 2023: £500 (5% of £10,000) *plus*.
- Unpaid by 2 February 2024: £500 (5% of £10,000).

Additionally, 7% daily interest compounded her debt:

- Unpaid by 2 March 2023: £500.01.
- Unpaid by 2 August 2023: £1,014.86.
- Unpaid by 2 February 2024 - *total*: £1,550.25.

Can You Avoid Penalties?

HMRC may grant leniency for severe illnesses or system failures, but these exemptions are rare.

If you're at risk of missing the deadline, here's what you should do:

1. File Your Return Immediately: Even partial filings can reduce penalties.
2. Set Up a Payment Plan: Contact HMRC to arrange a Time to Pay agreement.
3. Seek Expert Advice: Tax professionals can help minimise penalties and resolve issues quickly.

What If You Owe HMRC Money?

HMRC's debt collection process can escalate quickly:

1. **Reminder Letter:** The first notice of overdue payments.
2. **Debt Management Call:** A follow-up to resolve unpaid taxes.
3. **Field Agent Visit:** Unannounced visits with the potential to seize assets.
4. **Final Warning Letter:** Your last opportunity to pay.
5. **Enforcement Action:** Winding-up petitions or bankruptcy filings.

At Tax Expert, we work closely with HMRC to secure manageable payment plans, often unavailable directly.

Act Now to Prevent Penalties

With the Self-Assessment deadline fast approaching, it's critical to take action now to avoid penalties, interest charges, and enforcement action.

Click below to read the full article for more on what charges you could be facing.

Read Full Article

At **Tax Expert**, we specialise in safeguarding businesses during HMRC investigations.

Contact us today at info@taxexpert.co.uk, or call 01772 788200.

We're also available on WhatsApp for any out-of-hours queries.

Thank you for subscribing to Friday Tax Tips—your source for the latest tax insights and strategies.

Kind regards,

Ilyas Patel

P.S. Check out our Tik Tok for our video on the charges you could face.