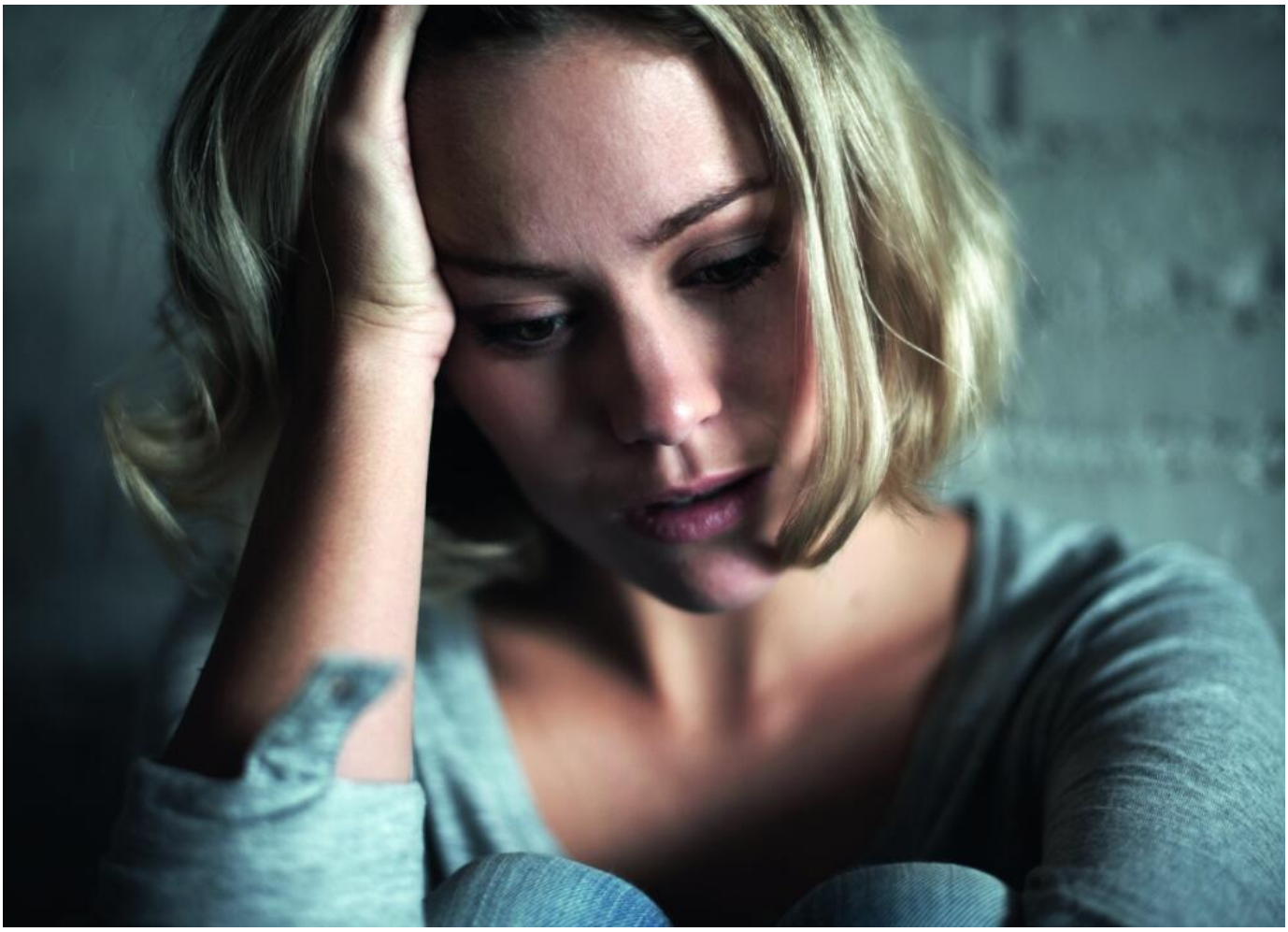
Tales of missed deadlines

General Features



01 February 2016

Gary Millner and *Rosina Pullman*, CEOs of the two tax advice charities consider how taxpayers can access advice when they miss deadlines but can’t afford to pay

Self assessment (SA) has teeth. Just after the 31 January filing deadline, practitioners will be all too aware when the penalty notices arise. Yet for most tax advisers, SA is a part of everyday life and works reasonably well. So if the teeth do bite, it is likely to be the result of the client failing to follow their advice.

Many people do need advice with SA, which can be as complex and difficult for low-income taxpayers as for the better off. Readers will know clients, friends and family who could not handle their return without your help.
Our clients do not have a support network and cannot afford to pay for tax advice. If they need advice about SA and cannot access it, they can face huge personal problems.

Ella's case

Ella’s case is a particularly egregious example, though the process is now standard for those on such low incomes that underpayments cannot be coded out in the PAYE system. She had underpayments for 2008–9 and 2009–10, but those had been resolved and the tax was collected through her tax code in 2011–12. She was struggling to understand why she had been issued with SA tax returns for 2012–13 to 2014–15 and did not know how to fill them in. Her underpayment for 2012–13 was only £51.40, just £1.40 above the tolerance threshold.

The matter came to a head when a private debt collection agency acting for HMRC threatened legal proceedings to collect £2,600 in late filing penalties. It turned out that an SA record had been set up at the time of the previous underpayments and HMRC had continued to issue returns. When we asked HMRC to investigate her PAYE record, it found an overpayment of tax for 2012–13 and 2014–15. It agreed to close the SA record, cancel the tax returns and penalties that had been issued and advised Ella that she would receive a PAYE refund of £633.

Self assessment is a heavy tool to collect small debts that cannot be collected by amending tax codes. It is a classic example of one size not fitting all. We were pleased, therefore, that the November 2015 Autumn Statement included a proposal to publish draft legislation to introduce simple assessment. This should bring an end to HMRC needing to collect PAYE underpayments by putting low-income taxpayers into SA.

Another of the problems our two charities encounter with SA centres on late filing penalties and determinations when people fail to respond to the return. The SA penalty system may well be appropriate for deliberate non-compliance, but the penalties bear down particularly harshly on vulnerable people on low incomes, with the penalties sometimes out of all proportion to any tax owing.

Christine's case

Christine has been unable to work for many years because of depression and anxiety. She lived in the US for some years until December 2014. Then, for a brief period, returned to Britain before moving to Spain, where she now lives with her parents.

Christine has a UK rental property (her former home) and is in SA. She could deal with her tax affairs satisfactorily until 2012 when her marriage broke down acrimoniously and her husband made her homeless. She became homeless again in 2014 when she and other tenants were intimidated into leaving their boarding house.

There was a lot of confusion with her address on HMRC's records; correspondence went missing and there were other postal issues. Christine is also hard of hearing and making telephone calls is difficult, particularly when discussing complex topics such as tax. There was also delay, confusion and misunderstanding over the need for residence pages, and returns were filed that were rejected as incomplete.

We could help with filing the outstanding tax returns and successfully appealed against the late filing penalties that had been charged. When thanking us, Christine said: 'This is such a relief and will enable me to focus on moving forward. I've been so very impressed by your service. Over the past few years I've had to reach out to a few charity organisations and, even though I received helpful advice, I've never experienced a service such as this.'

Ruth's case

Ruth was passed to us after Citizens Advice and HMRC had been unable to help. By the time we took the case she had amassed late filing penalties of £1,300 for an underpayment of tax of £230.80.

Ruth had been on non-taxable incapacity benefit for many years because she has severe depression and had attempted suicide in the past. Now working for a couple of days a week, she was entitled to taxable employment support allowance (ESA) alongside her permitted work.

We found that the underpayment of PAYE had resulted from her ESA being coded incorrectly. But since the underpayment could not be coded out against her low income, she had been put into SA. Like many people unfamiliar with tax, Ruth had failed to grasp the significance of her failure to file tax returns.

Having fully investigated her case, we put it to HMRC that it should not pursue the underpayment. Because of her circumstances, HMRC agreed and all penalties were cancelled.

The cases of Christine and Ruth also bring out another theme of the people we serve: often tax is not the only problem they face – many have also suffered difficult life events or have severe illness. And these circumstances can make an already difficult tax situation terrifying for the person.

Advice changes lives

These are three of the cases we saw last year. The two tax advice charities, TaxAid and Tax Help for Older People, were founded by tax professionals, concerned that people on low incomes were suffering considerably because they could not afford essential advice. It is this gap that our two charities seek to bridge for each of our clients. Last year we helped more than 25,000 people. All of them had very low incomes, most were vulnerable and for many the assistance was life-changing.

Bridge the Gap campaign

There is an urgent need for funding to enable us to provide specialist tax advice to disadvantaged and marginalised people in our society. Therefore we have come together and launched the Bridge the Gap campaign.

Image

Please give now to this urgent appeal



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