Change a life this Christmas

General Features



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Julie Cameron explains that the Bridge the Gap campaign needs ongoing support to provide help for vulnerable people who critically need tax advice but can't afford to pay for it and illustrates the difference that professional tax advice can make to people's lives

Season of goodwill

These are just two examples of the many issues, which beset taxpayers all year long and in these instances, the clients face a much less anxious Christmas. The two charities, TaxAid and Tax Help for Older People help vulnerable people who cannot find a solution to tax issues themselves and cannot afford professional advisers. The help given by the charities makes a huge difference, is frequently life changing and

gets them back on their feet.

The charities have an ongoing need for financial support so that the most vulnerable in our society can also access help to deal with our complex tax system. To meet this they are jointly running their Bridge the Gap appeal.

Ian: Not a very merry little Christmas

Despite the general moaning and cries of ‘Bah, humbug’ as Christmas muzak bombards our eardrums from every shop and radio station, it is good to relax and celebrate with friends and family during the festive season. But for TaxAid’s client, Ian, Christmas 2015 was not the season to be jolly. Ian is a builder, who until 2014 was the sole director/shareholder/employee of his own limited company. Ian had been unable to work since 2014, due to ill health and was relying on the Employment and Support Allowance (ESA) a benefit for people who are unable to work due to illness or disability.

As a consequence of his reduced income, Ian was not able to keep up with his agent’s fees for payroll, tax and Companies House compliance and by Christmas 2015, late filing penalties were mounting up. Worried that the financial strain was inhibiting his recovery, Ian’s wife contacted TaxAid, who completed the outstanding self-assessment returns from information supplied by his previous agent and successfully appealed against the associated penalties.

The PAYE penalties related mostly to the period when Ian was only receiving ESA and HMRC agreed on an appropriate closure date for the Employers PAYE record, which meant that most of the PAYE penalties were cancelled. HMRC did not object to the company being struck off at an appropriate date. The former agent withdrew his objection to the company being struck off once Ian made an agreement to pay him out of his ESA income.

Christmas 2016 finds Ian able to go back to work. He plans to register as a sole trader CIS subcontractor and to keep the level of complexity of his tax affairs in proportion to his income. This will simplify his reporting requirements hopefully, preventing him from incurring further penalties.

Aminata: ‘God bless us every one’

Those familiar with Dickens' A Christmas Carol will also recall the precarious state of Bob Cratchit's finances, as he endeavoured to keep his wife and six children on the meagre wage paid him by Ebenezer Scrooge. Sadly, low wages persist in the 21st century; Aminata juggles several part time jobs bringing in about £9,000 a year from which to raise her young family, so she also receives tax credits. Aminata called the TaxAid helpline after HMRC told her that the credits for the previous year had been overpaid by £5,252 and her current weekly tax credit amount was about to fall. She was also advised that she had a further bill from HMRC for £2,035 and was asked to complete a tax return. Amanita could not understand how she could owe £7,287 as she had been prompt with her tax credit renewal form. She could not afford the debt, but fearing the addition of penalties, she had filled in the tax return with the employment history as provided by HMRC.

TaxAid called HMRC and discovered that the total income from Aminata's four employments as recorded by HMRC was over £13,000 higher than she had advised. On analysing the figures, TaxAid discovered an RTI error of this amount by one employer (for whom Aminata no longer worked). Through Aminata's P60, this one error had flowed into the tax credit system, the P800 issued by HMRC and ultimately to the figure Aminata had herself entered on the tax return.

Both the tax credit and income tax situations needed correcting and TaxAid worked with Aminata to do this. In respect of tax credits, HMRC said they would accept a letter from the former employer confirming the actual employment income paid. Luckily, Animata was able to obtain this. The tax credit overpayment was then cancelled and the weekly tax credits restored to their former level.
TaxAid also helped Aminata submit an amended tax return, which removed the liability of £2,035 and corrected her income tax for that year. But this has created another potential problem for Aminata, as her tax return does not agree with the information on RTI. At the time of writing, this is still an outstanding issue and Aminata is at risk of an enquiry, because her tax return appears to be incorrect. It is the employee's responsibility (not HMRC's) to ask the employer to correct the RTI submission amendment and despite TaxAid helping Aminata to compose such a letter with clear instructions to her former employer, the latter have not actioned it.

HMRC have now taken this up with the former employer, but the issue is still a very real one for Aminata, which she could well do without. TaxAid has already helped with her two immediate issues and will continue to support in resolving this situation.

Image

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