2016/17 Self-Assessment tax returns affected by exclusions

Personal tax

01 September 2017

HMRC have created an in-year fix to address errors in the 2016/17 income tax calculator software.

In July's edition of Tax Adviser Giles Mooney and Tim Good provided guidance on navigating the complex field of personal tax calculations and pointed out that the interaction of the new savings and dividends allowances with the existing income tax computation has led to errors creeping into HMRC's 2016/17 tax calculator software. As they explained, this has affected three main groups of taxpayers.

HMRC have now issued an Agent Briefing which members can find on the CIOT website. This explains that HMRC have made changes in-year to their 2016/17 calculator which address the errors in the current calculator and will enable those taxpayers affected to file online and receive the correct calculation. This will resolve the vast majority of the 2016/17 online filing exclusions (numbered 48-56 and 58-59 on the Self-Assessment Individual Exclusions for online filing – 2016/17). The fix should be in place by October 2017.

In summary, the options for taxpayers affected by the above exclusions are:

- Await the implementation of the fix in October 2017 and then file online; or
- Continue to file online if their current software allows them to do so. The tax calculation might be incorrect, but HMRC will run the fix once it is in place and will write to the taxpayer to notify the correct tax calculation; or
- File on paper (with a covering letter identifying the exclusion).

On a related note, we understand from HMRC that there are no plans for an in-year fix for exclusion 61 (which relates to the averaging adjustment for farmers, market gardeners and creators of literary or artistic works), and HMRC are currently

exploring whether there is a workaround for exclusion 60 (certain no gain/no loss on capital disposals).

Further communications have been taking place over the last few weeks, including two HMRC ‘Talking Points’ sessions on 7 August and 23 August. If you missed them the recordings are available to view on the GOV.UK website.