



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

7 August 2023

Dear George,

Thank you for your email of 24 July to the Chancellor of the Exchequer enclosing correspondence on behalf of a number of your constituents about Income Tax Self Assessment. I am replying as the Minister responsible for the UK tax system.

HM Revenue and Customs (HMRC) issues Self Assessment returns to taxpayers where information suggests that they need to complete one. HMRC aims to ask for returns only from those people who it believes need to complete one in order for it to administer the tax system effectively.

HMRC has published the criteria for when someone has to file a return, which your constituents can find at: <https://www.gov.uk/self-assessment-tax-returns/who-must-send-a-tax-return>.

It is important to remember that HMRC often cannot determine someone's tax liability until they have sent in a tax return. This is especially the case for self-employed people. HMRC needs the information provided on the tax return to establish whether there is tax due or not. The obligation to file and the obligation to pay tax are therefore separate, with different penalty regimes.

HMRC strongly encourages taxpayers to contact HMRC if they believe they do not need to file a return. HMRC will review the position and, if in agreement and if the return has not yet been filed, will withdraw the notice to file and cancel any penalties in relation to the return. Details of what action taxpayers need to take is set out in reminder letters and messages every year.

Even when there is no tax due, there are good reasons why people sometimes need to file returns. For example, they may wish to pay voluntary Class 2 National Insurance contributions to build entitlement to contributory benefits like the State Pension or to claim losses which can be carried forward into future tax years, or they may need to preserve their record of self-employment to support an application for Maternity Allowance or to claim Tax Free Childcare.

An initial late filing penalty is automatically imposed when a taxpayer fails to file on time, and further penalties are triggered later if the return remains outstanding. As with other tax penalties, these aim to encourage taxpayers to comply with their obligations, act as a sanction for those who do not, and reassure those who do comply that they will not be disadvantaged by those who do not.

Taxpayers who are charged a late filing penalty are entitled to have their penalties cancelled if they have a reasonable excuse for not filing their return on time. They can also ask to be removed from the Self Assessment process for future years. Many taxpayers do this every year.

HMRC is currently reforming late payment and late filing penalties, with the aim of penalising those who persistently fail to comply with their tax obligations and reducing the penalty burden for those who make occasional errors. The reforms have recently been introduced for VAT and are due to be introduced for Income Tax Self Assessment alongside Making Tax Digital.

Further information about Penalty Reform is available at:

- <https://www.gov.uk/government/publications/penalties-for-late-submission/penalties-for-late-submission>
- <https://www.gov.uk/government/publications/penalties-for-late-payment-and-interest-harmonisation>
- <https://www.gov.uk/government/publications/interest-harmonisation-and-penalties-for-late-submission-and-late-payment-of-tax>

Please pass on my thanks to your constituents for making me aware of their concerns.

Yours sincerely,

A handwritten signature in blue ink that reads "Victoria Atkins". The signature is written in a cursive, flowing style.

VICTORIA ATKINS MP