Fairhurst

Accounting for your potential

The benefits of filing your tax return early

It's that time of year again when the brown envelope from HMRC appears through the letterbox of those of us who have to complete a self-assessment tax return. After this initial reminder many then put it on the back burner and forget about it until the deadline of 31 January looms and panic sets in.

However, there are many obvious benefits of filing your tax return early. A major bonus is that if you have overpaid tax you will get the money back sooner. Also, with early planning it is possible to properly process your tax information and review your tax position prior to filing rather than it being quickly rushed which may in turn cause mistakes. You will also have a better idea of what you owe and it gives you more time to gather funds. Even if you think you will have trouble paying the bill you should still file your return on time. Fines for late payment are a lot lower than fines for late filing.

If you intend to seek professional tax advice, it is also far more beneficial to hand in your tax records early in order to give your advisor time to research and plan. Then hopefully no opportunities will be missed and you will know in advance what your tax payments are likely to be for the next year.

Self-assessment can be complicated, so to make it easier we recommend that you keep all the information and paperwork needed for it in one place. You will need details of everything you have earned over the tax year – for example income from employment, self-employment, income from property, and other income and gains such as interest received on savings or investment returns. With regard to expenses don't overlook things such as subscriptions to professional organisations, the difference in mileage costs if your employer pays less than HMRC's approved rates, the difference in course fees and travel expenses if not fully reimbursed by your employer, cost of work uniforms and tools, cost of working at home and also the cost of equipment used in your job - every little helps! In these cases you must have met the cost yourself and not been fully reimbursed by your employer.

By getting into good habits early on and keeping records up to date on a monthly basis, the job is practically done for you by the end of the tax year. By completing the self-assessment or handing the information to your accountant at this point everything will be still relatively fresh in your mind if any questions are raised, rather than leaving it for another six months or so to complete.

So what's stopping you getting it sorted now to avoid the January rush?

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