

10 reasons to get your tax return filed now

British workers overpay £8.2bn in tax due to wrong codes

According to new research, more than two-fifths (43%) of UK adults who have checked their tax code have found they are on the wrong one ^[1]. While a fifth (20%) of those who were on the wrong tax code were underpaying, almost three-quarters (71%) were overpaying as a result.

Those who paid too much gave the tax man £694 more than they were supposed to on average, with one in seven (13%) overpaying more than £1,000 – this totals £8.2bn in overpayments because of wrong tax codes^[2].

CLAIMING BACK OVERPAID TAX

With only a third (36%) of UK adults comfortable with claiming back overpaid tax, around 34 million individuals need clarification about the process, many of whom could currently be owed an unclaimed tax rebate.

Conversely, two-thirds of UK adults (67%) believe they are on the correct tax code, but just 38% know this for sure, and taxpayers who haven't checked their code have yet to check their code for two years on average.

SOONER RATHER THAN LATER

However, nearly two in five (38%) say they have noticed a change in the amount they pay in Income Tax in the past three months.

Filing your tax return can be daunting, but there are plenty of reasons why you should get it done as soon as possible.

HERE ARE 10 REASONS TO FILE YOUR TAX RETURN NOW:

- 1. Avoid penalties:** The earlier you file your tax return, the less likely you are to incur late filing penalties. These can add up quickly and put a dent in your finances.
- 2. Reduce stress:** Filing your tax return early allows you to avoid the last-minute rush and reduces stress associated with meeting deadlines.
- 3. Get your refund faster:** If you're due a tax refund, filing early means you'll receive your money sooner, which can help pay off debts or make new investments.
- 4. More time to pay:** If you owe taxes, filing early gives you more time to budget and make payment arrangements.

5. Avoid errors: Rushing through your tax return increases the likelihood of mistakes, which can lead to penalties or delays in processing your return.

Filing early gives you ample time to double-check your information and make necessary corrections.

6. Maximise deductions and credits: Filing early gives you more time to gather documentation and ensure you claim all eligible deductions and credits. This can help reduce your overall tax liability.

7. Plan for the future: Knowing your tax situation early allows you to make informed decisions about your finances for the coming year, including retirement contributions, investment strategies and other financial planning.

8. Beat the rush: Tax professionals tend to be swamped during the peak tax season. Filing early ensures you can secure an appointment and receive personalised attention from your tax advisor.

9. Protect against identity theft: Filing your tax return early can reduce the risk of identity theft, as it leaves less time for criminals to file a fraudulent return in your name.

10. Peace of mind: Finally, filing your tax return early provides peace of mind, knowing that you've fulfilled your obligations and can move on to other essential tasks.

ENSURE YOU'RE PAYING THE RIGHT AMOUNT OF INCOME TAX

Understanding your tax code is vital to ensure you're paying the right amount of Income Tax. Those not on the correct code may find themselves out of pocket. If it's wrong, you may contribute more or less than you should.

And although overpaying means you should get a rebate – if and when it's spotted – underpaying means you may have to pay HMRC a lump sum to make up the shortfall. If you are in doubt about your tax code, there are a variety of online resources to help you check, including salary and pension withdrawal calculators.

If you think you need to have your tax code corrected, you can call HMRC directly. Remember

there are time limits to reclaim overpaid Income Tax, which is four years from the end of the tax year in which you are trying to claim. There are minimal exceptions to this – for example, if HMRC has made an official error – so if you are in any doubt, the earlier you contact HMRC, the better. ■

WANT TO DISCUSS YOUR FINANCIAL PLANS?

Filing your tax return early offers many benefits, from avoiding penalties and reducing stress to maximising eligible deductions and protecting against identity theft. Don't wait until the last minute – start preparing your tax return now and enjoy these advantages. For more information, please get in touch with us.

Source data:

[1] Research conducted by Opinium among 2,000 UK adults between 21–25 April 2023.

[2] On a nationally representative survey of 2,000 UK adults, 445 are UK adults who know how much they overpaid in tax the last time they were on the wrong tax code. $445 / 2,000 * 52,890,000$ (UK adult population) = 11,768,025 (shorthand 11.8 million). $£694 * 11,768,025 = 8,167,009,350$ (shorthand £8.2 billion).

THIS ARTICLE DOES NOT CONSTITUTE TAX OR LEGAL ADVICE AND SHOULD NOT BE RELIED UPON AS SUCH.

THE TAX TREATMENT IS DEPENDENT ON INDIVIDUAL CIRCUMSTANCES AND MAY BE SUBJECT TO CHANGE IN FUTURE. FOR GUIDANCE, SEEK PROFESSIONAL ADVICE.