

WHAT ARE THE BENEFITS OF PREPARING YOUR TAX RETURN EARLY?

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Firstly, get that weight off of your shoulders! That awareness that you are putting it off but at some point you will need to face it and the chances are your tax return will actually become more painful the longer you leave it as memory fades. By January 2021 you won't remember what that cheque in May 2019 was for or just how much stock you were holding in March 2020. Bringing us to the next point - your tax return is likely to be more accurate if done sooner whilst fresh in your mind and when you (and your accountant) are not rushed at the last minute.

Your July 20 payment on account will be calculated as half of your 2018/19 tax liability. If it is possible that your income for 2019/20 has reduced compared to the previous tax year then you will be able to reduce your July payment to reflect the actual tax due. In which case it is beneficial to prepare your return, or at least have it drafted, before 31 July 20 so that you have less to pay.

Similarly, if you are due a refund of tax then you can get your hands on this sooner if your tax return is prepared earlier in the year. Also, as HMRC have fewer returns to process, it is likely that you will receive your refund quicker after submission than if you wait until January.

Alternatively, if your income has increased compared to the prior year then you are going to have a higher tax liability. Depending on your cashflow position, it's usually better to know in advance the tax you need to pay in January 2021 and July 2021 to help plan for this. If you file your tax return straight away in April, then you are allowing 9 months to budget for the January payment.

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If you are in receipt of tax credits, these need to be submitted by 31 July each year. Whilst estimates can be given, it might be preferable to submit actual figures and avoid under or overpayments in the year.

If you need to contact HMRC regarding your tax return, to request information or ask a question, it can be harder to get through and require a lot more patience around December and January! Furthermore, HMRC is now giving less information over the phone to agents, for example, P60 figures which if requested will now be sent by post directly to the client resulting in another time delay. This is a great reason to set up your Personal Tax Account so that this information is available to you online.

HMRC can inquire into tax returns for up to 12 months after they have been filed. Submitting the return earlier means the inquiry window will close that much earlier and you can have peace of mind that no further questions will be raised regarding your return.

Finally, we will really appreciate it!

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