

SELF-ASSESSMENT SIMPLIFICATION

Budget Representation by Association of Taxation Technicians in respect of the Autumn Budget 2024

1 Introduction

1.1 HMRC's Transformation Roadmap made clear the Government's long-term ambition to build a simpler tax system¹ as part of efforts to modernise HMRC processes and improve performance. The ATT strongly supports this objective, for the benefit of taxpayers and HMRC alike. Accordingly, we recommend four simplification measures relating to income tax and Self-Assessment. We consider these would both make systems simpler to understand and easier to comply with for taxpayers, while reducing administrative burdens on HMRC.

1.2 Our recommendations are as follows:

1.3 Recommendation 1: Provide an enduring 'opt-in' to Self-Assessment

To simplify the position for taxpayers who would prefer to file tax returns despite not being obliged to under HMRC's criteria.

1.4 Recommendation 2: Simplify tax compliance for those who do not need to be in Self-Assessment

Individuals with tax to pay, but who do not meet the requirements to file Self-Assessment returns, could be helped to meet their tax compliance obligations by:

- Improving clarity over Simple Assessment responsibilities
- Allowing them to view and verify bank interest records held by HMRC
- Enabling operation of PAYE on State Pension payments, so tax can be collected at source from pensioners, simplifying the payment process for pensioners with state pension income over the personal allowance.

1.5 Recommendation 3: Simplify jointly-owned property rules

Align the income tax treatment of assets jointly owned by co-habiting spouses/civil partners with that applying to other joint owners. Removing the current differentiation in treatment would simplify the position, and result in consistent treatment of jointly-owned property across income tax and capital gains tax.

1.6 Recommendation 4: Relax the rules on carrying back Gift Aid donations

¹ <https://www.gov.uk/government/publications/hmrc-transformation-roadmap/executive-summary-hmrcs-transformation-roadmap>

Allow carry back of Gift Aid donations to the previous tax year via amendments to that year's tax return. This would remove an unnecessary complication, increase flexibility, and tackle a potential obstacle to charitable giving.

- 1.7 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members, who assist thousands of businesses and individuals to comply with their taxation obligations. This submission is written with that background.

2 Recommendation 1: Provide an enduring 'opt-in' to Income Tax Self-Assessment (SA)

- 2.1 In 2023, two changes^{2&3} were announced affecting which taxpayers need to file SA returns. The combined result was that taxpayers with PAYE income only, and no other reason to file tax returns (such as self-employment or letting income), no longer need to be in SA.
- 2.2 The ATT expressed concern at the time about both the first⁴ and second⁵ changes to the SA thresholds, highlighting the risk of taxpayers being removed from SA and inadvertently paying the wrong amounts of tax as a result.
- 2.3 Our members continue to report that taxpayers often prefer to file SA returns, even when they are not obliged to under HMRC's criteria, in order to ensure they pay the correct amount of tax. For taxpayers with agents, it allows their agent to review their overall tax position rather than relying on HMRC's piecemeal approach. It also allows taxpayers to manage the timing of finalising their tax affairs for each year, as otherwise they need to wait for HMRC to complete an annual reconciliation which can occur any time between July and March – so up to 12 months after the end of the relevant tax year.
- 2.4 For example, many higher earners will exceed their personal savings allowance (or not be entitled to one at all if their income is over £125,140). Tax due on bank interest received can theoretically be collected via PAYE, but this relies on an opaque matching process within HMRC, of which the taxpayer has no visibility. Taxpayers cannot easily see a list of which bank accounts HMRC has matched to them. Accordingly, identifying and resolving any errors in this process can take more time and effort than filing a SA return to declare the interest. Our suggestion in paragraph 3.2 is also relevant here.
- 2.5 Errors in HMRC's calculation of an individual's tax liability can also arise due to:
- A lack of detail regarding dividend income, which is not automatically reported to HMRC
 - Omitted or inaccurate estimates of personal pension contributions or Gift Aid donations
 - Changes in personal circumstances altering liability to the High Income Child Benefit Charge from year-to-year
 - Incorrect personal allowance entitlement where income fluctuates around £100,000 and/or ad-hoc Gift Aid or pension tax reliefs affect the available personal allowance.
- 2.6 Individuals affected by the SA threshold changes referred to in paragraph 2.1 are generally removed automatically from SA by HMRC. Those wishing to exercise their right⁶ to continue filing tax returns then have

² <https://www.gov.uk/government/publications/agent-update-issue-108/issue-108-of-agent-update>

³ <https://www.gov.uk/government/publications/autumn-statement-2023/autumn-statement-2023-html>

⁴ <https://www.att.org.uk/technical/news/hmrc-change-means-some-high-earners-wont-pay-right-amount-tax> and <https://www.accountancyage.com/2023/08/07/self-assessment-threshold-change-solution-or-problem/>

⁵ <https://www.att.org.uk/technical/news/rule-change-could-mean-people-pay-wrong-amount-tax> and <https://www.accountingweb.co.uk/tax/personal-tax/self-assessment-thresholds-if-it-aint-broke-dont-fix-it>

⁶ <https://www.legislation.gov.uk/ukpga/2003/1/section/711>

to arrange with HMRC each year for a notice to file to be issued. Following submission of that return, they are then likely to be automatically removed from SA again, and so the cycle goes on.

- 2.7 Whilst digital services have improved for unrepresented taxpayers in this respect, agents still have no ability to request a tax return online for clients via their agents' digital accounts, and need to either call HMRC to request one on behalf of their clients, or re-register that client for Self-Assessment. The need to re-register is problematic and not widely understood, and tax return processing issues can arise where taxpayers or their agents file returns voluntarily (i.e. without a notice to file having been issued by HMRC).
- 2.8 To avoid this cycle of SA registration and automatic de-registration, the ATT would like to see an enduring facility to opt-in to SA, which would override the automatic removal process for those not meeting the SA filing criteria.
- 2.9 It should be possible to make the opt-in election both digitally and via other means, with equal access for authorised agents to do so on behalf of their clients. Once in place, the election should endure until the individual or their agent revokes it.

3 Recommendation 2: Simplify tax compliance for those who do not need to be in Self-Assessment

3.1 Develop the Simple Assessment process and clarify taxpayers' responsibilities in both law and guidance.

Simple Assessment is used for taxpayers who have tax on pensions or savings which cannot be collected via PAYE from either employment or pension income. Typically this would include pensioners with state pension income above their personal allowance, and individuals with taxable savings interest but no source of PAYE income. Simple Assessment is intended to keep individuals with straightforward affairs out of self-assessment. Initially used in small numbers, 1.32 million were issued for 2023-24, thanks to increases in savings rates.

HMRC's savings guidance⁷ highlights that those with tax to pay on their savings interest in a tax year may need to wait until the end of March the following year before a Simple Assessment is issued. This conflicts with an individual's legal obligation to register for self-assessment by 5 October following the end of a tax year if they have tax to pay and are not already in self-assessment.

This gap between the law and guidance leaves significant numbers of taxpayers in a position of uncertainty. There should be greater clarity for taxpayers on where responsibilities lie for getting their taxes right in cases where HMRC intends to calculate the tax position.

3.2 Making savings income information available to taxpayers to check

HMRC currently issue demands for tax on savings income based on data received from banks and building societies which is then matched to individual taxpayers. Once that matching process is complete, HMRC then issue a demand with a total of the interest they believe the taxpayer has received. Where the matching process is incomplete, HMRC may add in estimated interest figures to fill in any gaps.

⁷ <https://www.gov.uk/apply-tax-free-interest-on-savings> - see under 'If you go over your allowance'

There is no online mechanism for taxpayers to access a breakdown of the total interest figure held by HMRC to check if their accounts have been estimated, mismatched, duplicated or omitted. To meaningfully check a P800 or Simple Assessment, taxpayers need to telephone or write to HMRC to ask for details, which is time-consuming for both parties.

HMRC should develop a digital system to provide this information, offering a breakdown of figures used in tax calculations online or via the HMRC App. Subject to suitable safeguards, there should also be routes for the taxpayer or their authorised agent to query or amend entries they do not believe are correct.

3.3 Enable DWP to operate PAYE on State Pension Payments

Pensioners make up a large proportion of the Simple Assessment population, which is used to collect tax due on pension income in excess of the personal allowance, and on taxable savings income.

If tax could be collected at source on state pension payments, this would reduce the number of individuals who need to be issued with a Simple Assessment. As it stands, a pensioner whose state pension takes them over their personal allowance but who does not have any other PAYE sources will receive a Simple Assessment to pay tax in a lump. By contrast, if the tax payable could be factored into their PAYE code, with tax collected at source from their state pension, their compliance obligations would be simplified and taken care of at source. This would help pensioners manage their tax liabilities better.

4 Recommendation 3: Simplify jointly-owned property rules

- 4.1 For simplicity, in this section we refer to marriage, spouses and married couples, and assume they are living together, but this recommendation should be read as applying equally to cohabiting civil partners.
- 4.2 Where property is jointly owned by a married couple who are living together, under ITA 2007 s836, any income arising from that property is, by default, deemed for tax purposes to be split 50:50 between the owners – regardless of their actual, underlying beneficial entitlement.

This mainly affects land and buildings, but references to property should be read as applying equally to other assets such as bank accounts. This is subject to certain exclusions specified in current legislation⁸.

- 4.3 By way of contrast, income arising to unmarried joint property owners is generally divided for income tax purposes based on each party's beneficial ownership of that property. HMRC Manual PIM1035⁹ also states that:

“joint owners can agree a different division of profits and losses and so occasionally the share of the profits or losses will be different from the share in the property. The share for tax purposes must be the same as the share actually agreed.”

- 4.4 The inconsistent treatment between married joint owners and unmarried joint owners complicates the tax treatment and is poorly understood.
- 4.5 Married owners of properties where the beneficial ownership is unequal need to make a declaration in accordance with Income Tax Act 2007 s.837 via Form 17 in order for their liability to tax on the income to

⁸ <https://www.legislation.gov.uk/ukpga/2007/3/section/836>

⁹ <https://www.gov.uk/hmrc-internal-manuals/property-income-manual/pim1035>

reflect their beneficial ownership. Form 17 cannot be backdated and must be submitted to HMRC within 60 days. Awareness of this requirement is low.

- 4.6 If a married couple who have correctly reported income from their jointly owned property based on the deemed 50:50 split go on to sell that property, they might expect the same 50:50 deeming provisions to apply for capital gains tax. However, on sale, their respective share of any capital gain or loss arising is determined in line with their beneficial interest in the property as the provisions deeming a 50:50 split apply for income tax but not for capital gains tax.
- 4.7 Our recommendation is to remove the provisions giving rise to a deemed 50:50 split of income for married couples. This would result in spouses being liable to income tax based on their beneficial interest in the underlying asset, as is the case for unmarried joint owners.
- 4.8 This would simplify the income tax treatment of jointly owned property, with no significant disadvantages or transitional costs.
- 4.9 Some married couples who own property in unequal shares but benefit from being taxed based on the current deemed 50:50 split of income arising may be adversely affected. For instance, a married couple owning property unequally, with 90% beneficially owned by one spouse who is a higher rate taxpayer and the other 10% beneficially owned by the other spouse, who has lower/no income. The deemed 50:50 split of income will result in a lower combined income tax liability than if the couple were unmarried, or if the 50:50 deeming provision in s.836 did not exist.
- 4.10 We expect that couples who are using the provisions in this way are likely to have professional advisors who can inform them of any changes made to the deeming provisions, and help them to plan accordingly. If they wish to retain a 50:50 split of income, they will need to amend their ownership position, which may incur some legal and advisory costs.

5 Recommendation 4: Relax the rules on carrying back Gift Aid donations

- 5.1 ITA 2007 s426 permits taxpayers to make an election for a Gift Aid donation to be treated as having been made in the previous year.
- 5.2 This facility was introduced by FA 2002 s98 and is subject to two main conditions:
 - i. The taxpayer must have sufficient taxable income and chargeable gains in the earlier year to cover the additional tax relief available as a result of carrying back the Gift Aid payment; and
 - ii. According to ITA 2007 s426(6), the election must be made:

“(a) on or before the date on which the individual delivers a return for year P under section 8 of TMA 1970 (personal return), and

(b) not later than the normal self-assessment filing date for year P.”¹⁰

(where “year P” is the earlier year)
- 5.3 In respect of the conditions in ITA 2007 s426(6), it was confirmed in the FTT case *Cameron v HMRC*¹¹ that the “date on which the individual delivers a return for year P” refers to the date on which they file their

¹⁰ <https://www.legislation.gov.uk/ukpga/2007/3/section/426>

¹¹ <https://www.bailii.org/uk/cases/UKFTT/TC/2010/TC00415.html>

original return. The *Cameron* case therefore established that claims to carry back Gift Aid donations cannot be made via an amendment to the earlier year's return.

- 5.4 Whilst Judge Charles Hellier in *Cameron* appears to have been broadly satisfied with this position, he did note that the option to make Gift Aid carry back claims only via the original tax return, was "an odd stipulation and one for which no clear policy may be evident"¹².
- 5.5 Our members report that the ability to carry back Gift Aid payments is useful when advising their clients, but that the inability to claim it via an amended return for the earlier year can be restrictive.

Examples include when a Gift Aid donation was not anticipated at the time the earlier year's return was filed, but made later and, if carried back, could reinstate an individual's personal allowance or save them from liability to the High Income Child Benefit Charge. A well-advised individual may be able to plan for these situations. Someone who is not, and who files their return before spotting the opportunity, cannot then change their position or preserve benefits by making a charitable donation.

- 5.6 As a result of Basis Period Reform¹³, self-employed individuals with accounting periods which differ to the tax year are likely to need to file amended returns each year to correct previous estimates which were filed based on provisional accounts.

The option to carry back Gift Aid payments as part of submitting those amendments will be particularly valuable, as their final tax position will not be known at the time the original (estimated) return is submitted.

- 5.7 Whilst our members should be familiar with the restriction on carry back, we suspect it is less well known by unrepresented taxpayers, who may try to make ineligible claims (as in the *Cameron* case), thereby causing unnecessary work for HMRC in challenging and overturning those claims.

6 Contact details

- 6.1 We would be pleased to join in any discussion relating to this representation. Should you wish to discuss any aspect of this representation, please contact the ATT Technical Team on atttechnical@att.org.uk.

The Association of Taxation Technicians

7 October 2025

7 Note

- 7.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

¹² <https://www.bailii.org/uk/cases/UKFTT/TC/2010/TC00415.html#:~:text=the%20circumstances%20an-,odd%20stipulation,-and%20one%20for>

¹³ <https://www.gov.uk/government/publications/basis-period-reform/basis-period-reform> and <https://www.gov.uk/guidance/get-help-with-basis-period-reform>

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.